

WEEKLY  
JUL 16 1956

JULY 1956

# Mortgage Banker



For the mid-summer need. Somewhere in Minnesota.



in this issue -----

HOW BUSINESS LOOKS FOR THE REST  
OF THE YEAR ★ AND A FURTHER LOOK  
AT THE TIGHT MONEY SITUATION



*Achilles was the hero of Homer's Iliad. His mother dipped him in the river Styx so that he became invulnerable except at the spot where she held him by the heel. Finally he was fatally wounded in the heel by Paris, prince of Troy.*

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## MBA 1956 Calendar

*July 16-17, Educators Conference, University of Colorado, Boulder*

*July 29-August 11, School of Mortgage Banking, Courses I and II, Stanford University, Stanford, California*

*October 8-11, 43rd Annual Convention, Conrad Hilton Hotel, Chicago*

**>> MORE INCOME THAN EVER:** Median income in the United States is now around \$4,000 a year, a third higher than it was as recently as 1950, according to the Federal Reserve System.

The figures show that half of all spending units had a money income of \$4,000 or more in 1955. In 1950, about the same proportion of the population fell into the income bracket of under \$3,000 a year, and less than a third was in the \$4,000 and over class. These figures are before taxes. The following table shows the changes in the five year period by percentage distribution of spending units in broad income brackets:

Money Income	1950	1955
Under \$3,000 .....	49%	37%
\$3,000 to \$3,999.....	19	14
\$4,000 to \$4,999.....	12	14
\$5,000 to \$7,499.....	14	22
\$7,500 and over.....	6	13

**>> HOME OWNERS GAIN:** Home ownership among non-farm households has reached 59 per cent, highest ratio since this data was first collected in 1890, and considerably above the 53 per cent in the 1950 Census. Inclusion of farm households brings the ratio to 60 per cent, compared to 55 per cent in 1950.

Geographically, the greatest increase in home ownership (including farm homes) since 1950 has occurred in the South, which has had an increase in ratio from 53.7 to 60.7 per cent. The North Central followed with an increase from 60.7 to 66.4 per cent. The Northeast went from 48.4 to 52.1 per cent; and the West came last with an increase from 57.8 to 59.8 per cent.

# The Mortgage Banker

please route to:

PUBLISHED MONTHLY BY THE MORTGAGE  
BANKERS ASSOCIATION OF AMERICA  
GEORGE H. KNOTT, Editor

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# How to judge the resale value

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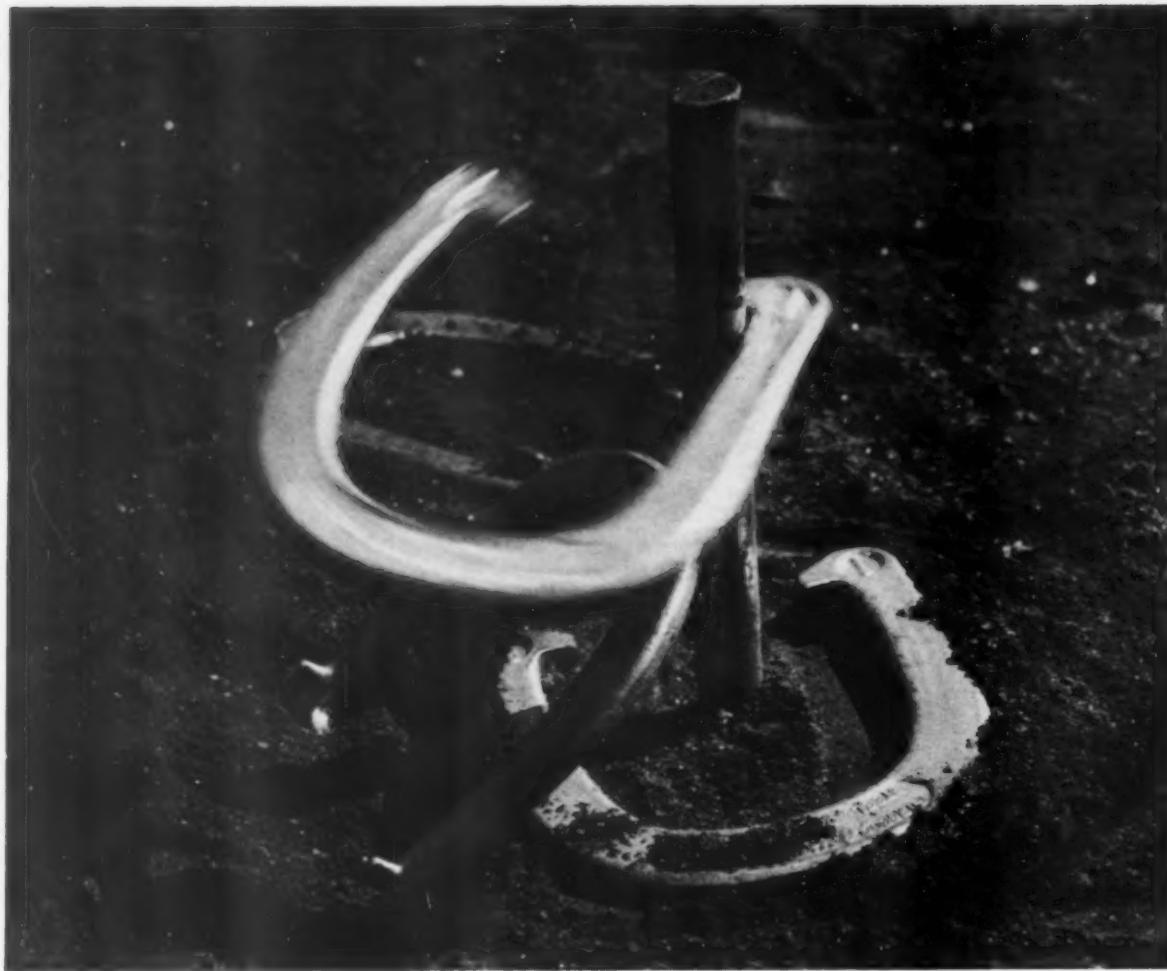
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*Life Insurance Company*



America's past, present and future live side by side in New England. Everywhere are constant reminders of impassioned men who wrote history on land and sea. Thriving cities and ports evidence her sturdy contribution to America today—her promise for tomorrow. Visitors come here to sense their country's past . . . to enjoy the lovely countryside and rugged shoreline. They return home, knowing the indomitable New England spirit lives today—confidently faces the promise and challenge of the future.

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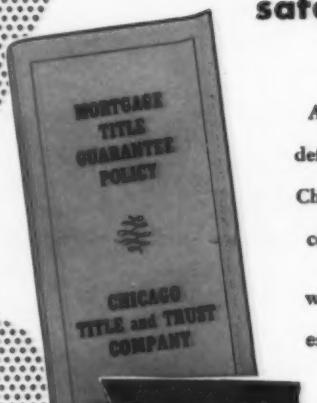
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## THE frustrated FLAME

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Nobody holds a blowtorch against any house to set it afire. But cigarettes do get dropped, grease catches fire in kitchens, wiring and furnace flues sometimes cause trouble. Nevertheless, fire never gets far in a house with concrete foundation and

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What's more, with a properly designed basement and a concrete first floor, the occupants have a safe refuge from tornadoes, hurricanes, quakes and atomic blasts.

What other type of construction offers you such sound, long-term security for investment funds? Consider concrete masonry houses first whenever you consider mortgages.

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A national organization to improve and extend the uses of portland cement and concrete through scientific research and engineering field work

# PARADOX TODAY: FARM INCOME AND REAL ESTATE VALUATIONS GO OPPOSITE WAYS

*It's never happened before. Always in the past farm income and farm real estate valuations have moved with each other because they are so closely tied together. Now, although farm income has shown a decline of around 30 per cent since 1951, farm real estate valuations (with only a minor halt) have been moving up and today stand at record levels for the nation as a whole. The explanation can be found in several divergent developments. One is the strong national trend for larger farms, units which make farming more profitable. Another is the strong inflationary tide which is still present in the national economy.*

**F**ARM income and farm real estate valuations, which normally show similar behavior patterns because of their intimate relationship, have been going separate ways for some two years, creating a paradox without counterpart in the records of agriculture.

Figures compiled by the Department of Agriculture show that farm income has been in a down trend since 1951. The decline in net farm income from then to date is around 30 per cent, though there have been some stabilizing tendencies recently. Farm real estate prices, by contrast, after a dip in 1953, have been moving up steadily since and are now at record levels on a national basis. The rise from the 1953 low point has been around 8 per cent for the United States as a whole, although substantially greater in a number of states.

The Department of Agriculture calls the duration of this divergence "a unique departure from the usual relationship between land values and farm income," and it emphasizes that the real basis for land values in the future, as in the past, must be the level that can be supported by long-term land earnings. For the time being, however, the usual rules prevailing in the land market seem to have been offset by a number of factors that have maintained the demand for farms despite the recent earnings trend. Chief among these are the pressures for farm enlargement because of developments within agriculture itself, and the strength of the

inflationary forces in the economy which have influenced farmers and non-farmers alike with respect to their investment attitudes.

The biggest single factor in the demand for farms has resulted from the revolution in agricultural production over the last decade and a half with the growth of mechanization and the introduction of new and more efficient farming techniques. Bigger farms have become more economic as a result since they permit more efficient use of machinery and acreage and hence help to keep unit costs down.

As a group, farmers have consistently bought about two-thirds of the farms that have come on the market in recent years, and a large proportion of these have been added to existing farms. It is reported, for example, that up to half of all land purchases in wheat-growing areas and at least a third in the Corn Belt were made for consolidation purposes.

A few figures from the recent Census of Agriculture show the results of this trend. The number of farms in the United States declined by 600,000 between 1950 and 1954 alone. The 4½ million farms enumerated in the latter year were the fewest since the 1890s. At the same time, the average size of all farms rose to 242 acres, the highest such figure since the middle of the last century. The number of very large farms, those of 1,000 acres and more, have been showing the most pronounced growth trend.

The non-farm buyer, who as a

group has acquired a third of all farms that have changed hands in recent years, represents a cross-section of American life, financially and occupationally. He may be a "gentleman farmer," like many prominent in business, professional or public life. Or he may be a speculator or long-term investor seeking a protective haven for his capital.

The non-farm group of farm buyers likewise includes a great many persons of small or moderate means—workers, salaried persons, or the self-employed. Suburbanization and decentralization of industry have created many new job opportunities in or near rural areas. Buyers of this type usually acquire small farms that fall into the part-time classification, and the figures show that farms of 10 acres or less have shown a substantial rise proportionately over recent years while the medium-sized ones have been declining sharply. Eventual retirement plans have become an increasing factor among such farm buyers, reflecting the spectacular growth in pension and retirement programs over the last decade, and the widespread increase in ownership of life insurance and other savings.

With electrification and good roads, the typical farm today differs little from the average city dwelling as far as basic comforts and conveniences are concerned.

Urban and industrial expansion and road building programs are also playing a significant role in the farm land market in several parts of the country.



**In 1854**, pioneer California settler Maria Rita Valdez sold her Rancho Rodeo de las Aguas for \$1300. The down payment was \$500 cash. And so the two men who bought the ranch—Benjamin D. Wilson and Henry Hancock—became the sole owners of what is now Beverly Hills!

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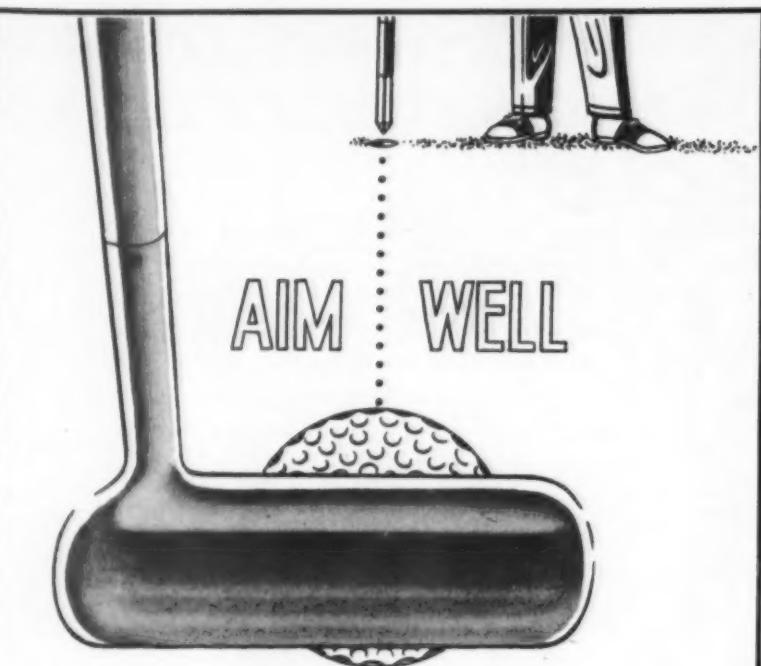


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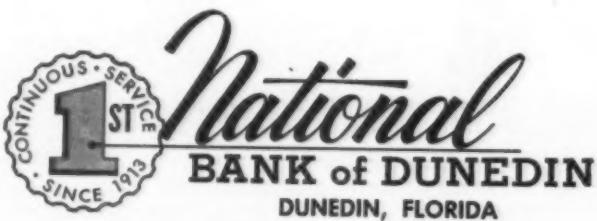
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Just as a carefully lined up shot in golf can lead to a better game, lining up the West Coast of Florida in your investment program can lead to better results.

Florida's Gulf Coast offers many sound opportunities for investment. For the past several years, the West Coast has enjoyed a rapid, yet regulated business and industrial expansion. With this expansion has come an increase in population, new housing developments, additional recreational facilities, and large new shopping centers.

This continuous expansion is based on a solid, balanced economy, thus making it a sound investment for mortgage investors. The First National Bank of Dunedin has offered mortgage service to out-of-state investors for 18 years, and is currently servicing 24 million dollars in FHA, VA and conventional mortgages. We shall be most happy to receive your inquiries.



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## A FARMER NOW RAISES ENOUGH FOR HIMSELF AND FOR 18 OTHERS

**A**LTHOUGH the number of farms in the United States and employment in agriculture are the lowest in many years, the productivity of the average farm worker has increased to the point where he now raises enough food and other agricultural products to take care of the needs of approximately 18 other persons in addition to himself.

The current number of persons "supported" by a single farm worker is the highest on record. This development reflects the interplay of a number of factors including the rising investment of farmers in machinery and other production facilities, better farming techniques, and the big increase in the number of farms of a more economic size in keeping with the trend in the nonagricultural sector of the economy.

Back in 1940, when the big boom in farm productivity got under way stimulated by wartime needs for farm products, the average farm worker raised enough food and other agricultural products to provide for 10 other persons in addition to himself. The comparable figure at the turn of this century was only six. Thus the productivity of the average farm worker, as measured by the changes in these figures in the 1900-40 and 1940-55 periods and the proportions of the rise, increased substantially more in the last 15 years than it did in the previous 40.

This productivity trend may have created certain problems of surpluses, but from the longer view it is of basic importance in view of the extraordinary rate at which the country's population is expanding. The present birth rate in the United States is one of the highest of any developed nation in the world today, and the average life span is lengthening steadily. As a result, the current indications are that the population will cross the 190-million level a decade hence. This will mean that for every seven persons in the population today there will be about eight persons to feed and clothe in 1965. Agriculture's proven ability to produce, therefore, is vital as far

as the future growth and well-being of the nation are concerned.

Evidence of the role played by capital investment in the productivity rise in agriculture is the fact the average value per worker of assets used in agricultural production is now more than \$14,000. This capital investment per farm worker is more than four times the equivalent figure of \$3,500 in 1940. It is now on a par with the equivalent capital investment per worker in all manufacturing, which is currently estimated at in the neighborhood of \$14,000.

In view of the fact that land is the fundamental and biggest resource in farming, the price factor has played a big role in the extent of the rise in the capital investment per agricultural worker today as compared with a decade and a half ago. However, the biggest proportionate rise in assets used in agricultural production has occurred in the classification of machinery, where the average per farm worker today is just under \$1,900 as compared with only around \$230 in 1940. This represents a rise of some eight-fold in the last decade and a half, or more than double the comparable percentage increase in real estate and other assets per farm worker. In fact, machinery now represents over 15 per cent of all the physical assets of agriculture as compared with only 10½ per cent in 1940.

This growth in mechanization of farm operations has been a big factor in the acceleration of the downtrend in recent years in the number of farms in the United States. The recent Census of Agriculture showed that the number of farms has fallen below 5 million for the first time since the 1890s. The total was just under 4.8 million in 1954, about a fifth fewer than in 1940. The biggest decrease has occurred in the marginal farm which provided little more than subsistence for its operator.

Mechanization and improved farming techniques combined with the growth in off-the-farm job opportunities are also reflected in a 25 per cent decline in the number of farm workers in the last decade and a half. The latest figure for total farm employment was 8½ million as compared with 11 million in 1940, the smallest farm employment figure since the 1870s.

## Vulnerable or



## Invulnerable?

There's a question every lender wants answered when making a mortgage loan. "Is the title free from successful legal attack?" A most satisfactory affirmative to that query has long been "Title insured by TG&T."

Today's lending institutions look upon a TG&T policy as the synonym for security against loss arising from questions of title.

When considering a mortgage loan secure the protection and peace of mind derived from a title policy underwritten by the ample resources of TG&T.

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# Ancient Mortgages By McCUNE GILL

Mr. Gill is president of the Title Insurance Corporation of St. Louis and a frequent contributor to these columns. He is truly a student of mortgage lending. In previous articles he has delved into the legal aspects of various phases of mortgage lending, but this time he has come up with something new, some historical data about the earliest mortgages known. The industry likes to believe that the mortgage instrument is about the oldest of credit evidences—and the facts support the view.

THERE are still available originals of mortgages used in ancient Babylon, Egypt, Greece and Rome. These were the forms used several thousand years ago and have been preserved because of several interesting circumstances.

In Babylon, mortgages were written on soft clay tablets which were then burned, making them imperishable. So all we do is dig into the sand heaps that were once the great cities in Mesopotamia and there are their mortgages and other deeds.

In Egypt, they used a flimsy kind of paper or papyrus to record their mortgages but these were preserved because they used waste paper with

which to stuff their mummies. When we find a mummy, we simply cut him

open and there find the mortgages and deeds used in his day.



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In Greece, they placed a mortgage stone on the property to give notice of the fact that it was encumbered. Also they cut copies of these mortgages on the marble walls of their recorders offices. These stones are frequently found and now repose in museums.

In Rome, they wrote their mortgages on wooden tablets covered with hard wax. They put these in wall safes in their thick stone walls. Now, antiquarians digging out buried cities, find the wall safes where the mortgages are still intact.

Reading some of these ancient mortgages, we will note that, in the many centuries that have elapsed since they were written, there has not been much change in the forms.

In Babylon, several of the tablets are mortgages for loans of barley by Ilusu to various persons. They state that no interest shall be charged until "after the third year," or "after the borrower sells the barley to others." Two tablets are, in effect, notes representing loans of money by Bur Sin. One reads as follows, "One mana of silver without interest, from Bur Sin,

Nannarmi-dim and Ibiqum have received. In the month of Nabri they shall repay the money. In the presence of (five witnesses). The date is "the year when the Sin-abusu canal was dug." Another is (the still well-known) thirty day note, "Four mana of silver without interest from Bur Sin, Awilu-ilu, son of Burmumu, in the month when the grain loans become due, received. On the thirtieth day he shall repay the money. The year when the King's daughter was

married to Rabikum."

Another tablet is a decree in a suit before a nine judge court for 15 silver shekels which was the purchase price of a piece of land. But the defendant produced ample testimony that the money had been paid. Whereupon the decree was made to read thus, "After the judges had examined the facts they imposed a fine on Ilushanegal, the plaintiff, (prototype of our punitive damages, no doubt), because she had denied her authentic seal."

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(The Babylonians always impressed seals into their soft clay tablets before they baked them.) "Certified by Gimil-marduk, clerk of the court by Belsunu, his assistant. (They had deputy clerks, even in those days.)

In Egypt, this one:

"The 7th year of the Autocrat Caesar Titus Aelius Hadrianus Antoninus Augustus Pius. Sarapion son of Herodes mother Caecilia of Oxyrhynchos has lent to Thatrea and Teuterion both daughters of Appolonius and to their mother Demas, all three Persians from the village of Pela, each with her guardian, before a notary the sum of 1000 drachmae at the interest of 3 obols per mina per month payable annually. If they fail to pay, the lender shall have possession and ownership forever of the land near said Pela (describing it), guaranteed free from obligations or taxes." Notice that women could take title but only through a guardian.

Here is a release of a mortgage. "Artemidorus acknowledges receipt from Dionysis and wife, before a

notary, of the sum of 472 silver drachmae lent by him to them in accordance with a mortgage in the Recorder's Office at Oxyrhynchos on the security of property of Dionysius in Psobthis consisting of a half share of some open plots of ground (describing them). Artemidorus in release of the mortgage has delivered the mortgage and the mortgage tax receipts to be cancelled and agrees that neither he himself nor any other person in his

behalf will make any claim against the other parties." The word used for mortgage is "hypotheca"; and for agree is "homologei"; the receipts for the taxes are called "symbola,"—all rather good English words. "Mortgage tax" also sounds very modern.

Foreclosure (petition). "To Antoninus, judge of the chrematistae and other courts, from Serenus freedman of Appolonius of the City of Oxyrhynchos, I lent in accordance

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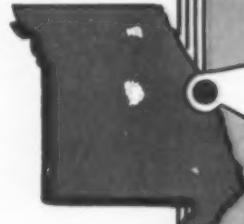
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with an instrument of record in the Recorder's Office at Oxyrhynchus on August 11th in the 18th year, to Sarapais daughter of Podon the capital sum of 900 drachmae with the proviso that if she did not repay the money I and my assigns were guaranteed the possession and ownership of her slave Sarapais aged 25 years. Repayment not having been made, I request you to give instructions to the strategus of Oxyrhynchus County to present a copy of this petition to Sarapais that I shall proceed to enter on the possession. In the year of our Lord Antoninus, the 19th.

(Summons). Antoninus to Theon, strategus. Let a copy of the petition be served. Farewell.

(Acceptance of Service of Summons). I, Sarapais daughter of Podon received a copy of this petition, and I, Musaeus, her guardian, also—"

The rest of the files are missing, as sometimes will happen (especially after seventeen centuries). The chrematist court seems to have had jurisdiction of civil or business cases; here also we have the full name of the City, "Oxyrhynchapolis," (like Indianapolis). The strategus seems to have been the principal sheriff.

In Greece, it appears that mortgages or hypotheks, as the Greeks called them, were not recorded but were made public by placing on the land itself a "Horos," (sign or notice of lien), the so-called "Mortgage Stone," on which was briefly inscribed the nature and amount of the encumbrance. Great numbers of these stones securing all sorts of obligations, have been found throughout Greece and now repose in the principal museums of Europe.

One mortgage stone found at Marathon reads thus, "Notice of lien on land and house affected by a guar-

anty to the orphan child of Diogeiton of Probalinthos."

Another at Athens is as follows, "Notice of lien on a house affected by a guaranty to Hagnocleia for her dowry, 300 drachmas."

A very modern looking "sign" with transfer of possession and assignment of rents to the mortgagee was found at Athens, "Notice of lien on land and house mortgaged (hypothecated) for 800 drachmas, on condition that the mortgagee shall have possession, conforming to a contract deposited with Deinias by Euonymia."

To those of us who have assumed

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that the "American" system of recording deeds is an invention of recent times, a perusal of these records that the ancient Greeks cut on their tablets of marble in the first and second centuries B. C., should prove to be quite a revelation. For not only did the Greeks file away their deeds but they actually copied and abstracted them in the same way that we do some two thousand years later.

The above abstracts of mortgages of course do not contain the full provisions of the instruments. Let us therefore consider a mortgage, the full text of which has come down to us. It begins with this cheerful line, "May Good Fortune be upon us." Then comes the date and the names of the parties, the mortgagor being the City of Arkesine and the mortgagee one Praxicles, son of Polymnestos of the island of Naxos (one of the Cyclades). The instrument provides for a lien on the property and the payment of interest at five obols per mina per month (about ten per cent per annum) on the loan of three talents of Athenian silver. Interest is to be compounded annually, (the exact provision of our present notes and statutes). The loan is (strangely enough) payable "six months after demand" in current coin of Athens or Alexandria. If not so paid Praxicles "shall be entitled to recover by the usual methods of levy, in the same manner as if judgment had been given" (a sort of confession of judgment). If anyone lays hands on those

acting for Praxicles, or hinders the levy, (you will remember we did that during the last depression), he shall pay to Praxicles one talent of silver." There is a provision for the usual recording in the temple.

In Rome, an interesting document written on wax covered wooden tablets was discovered in a wall safe in the home of a lady named Dicidia Margaret in the City of Pompeii. It is dated eighteen years before the destruction of the city by Vesuvius. The mortgagor was another lady named Poppea Prisci. It will be observed from this mortgage that foreclosure by the exercise of a power of sale was even then in vogue, and that such sales, like ours, were for cash at the court house door, with the right to collect any deficiency from the mortgagor.

(Note): "Sesterces fourteen hundred fifty (HSN MLD) in fine silver

lawfully to be given is stipulated to Dicidia Margaret by Poppea Prisci. Done at Pompeii in the eighth year of the consulship of Lucius Junius and Publius Rusone."

(Mortgage) "The boys (slaves) Simplex and Petrinus, Dicidia Margaret has bought for 1450 sesterces and has accepted delivery from Poppea Prisci, by authority of her guardian Decimus Caprasius. If all of this money to me or my heirs by the kalends (whence comes our 'calendar') of November shall not be paid, to me or my heirs it shall be permitted on the ides of December, for cash money at Pompeii in the open forum publicly to sell. If more than the debt shall come from the sale, the surplus is to be returned to you or your heirs. If any less shall come from the sale, compensation for the reduced value of the investment shall be owed to me or my heirs for the deficiency."

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**>> RENTS & VACANCIES:** Overall rental vacancy rates and residential rents in most cities have not changed appreciably in the last year, the NAREB report says.

Demand for single-family, detached rental houses far exceeds the supply in many areas. For most communities (92 per cent) available units of this type are reported to be 2 per cent or less of the supply. Vacancies were quoted as between 3 and 5 per cent for 6 per cent of the cities, and above that level for the last 2 per cent.

Although few apartments were added to the residential supply in 1955, ease of home ownership reduced competition for rental dwellings in many areas. Tenants occupying less desirable units and not interested in becoming owners or unable to qualify, found new rental quarters easier to locate and increased willingness to renovate.

Comments from around the nation pointed up the marginal quality of many available unoccupied units and the progressive elimination from the market of wartime conversions.

Nationwide, the supply of unoccupied habitable apartments has not

changed significantly during the last 18 months.

Vacancies in multi-family structures are higher in a number of cities than they were six months or a year ago, but these areas are not necessarily the same ones reporting rising vacancies in previous surveys.

Two-thirds of the market areas (67 per cent) reported vacancy rates for habitable multi-family rental units of "2 per cent or less," while 21 per cent listed them at "3 to 5 per cent."

Higher vacancies were most frequent in the South Atlantic region where 33 per cent of the communities reported 6 per cent or more of habitable rental units vacant, and the West South Central region where 27 per cent of the reporters listed the same situation. Vacancy rates were lowest in the West North Central region where 93 per cent of the communities found 2 per cent or less of the habitable rental units vacant.

With respect to rents for all residential rental housing, 65 per cent of the country indicated no material change, compared with a year ago. Eighteen per cent of the nation reported modest rent increases.



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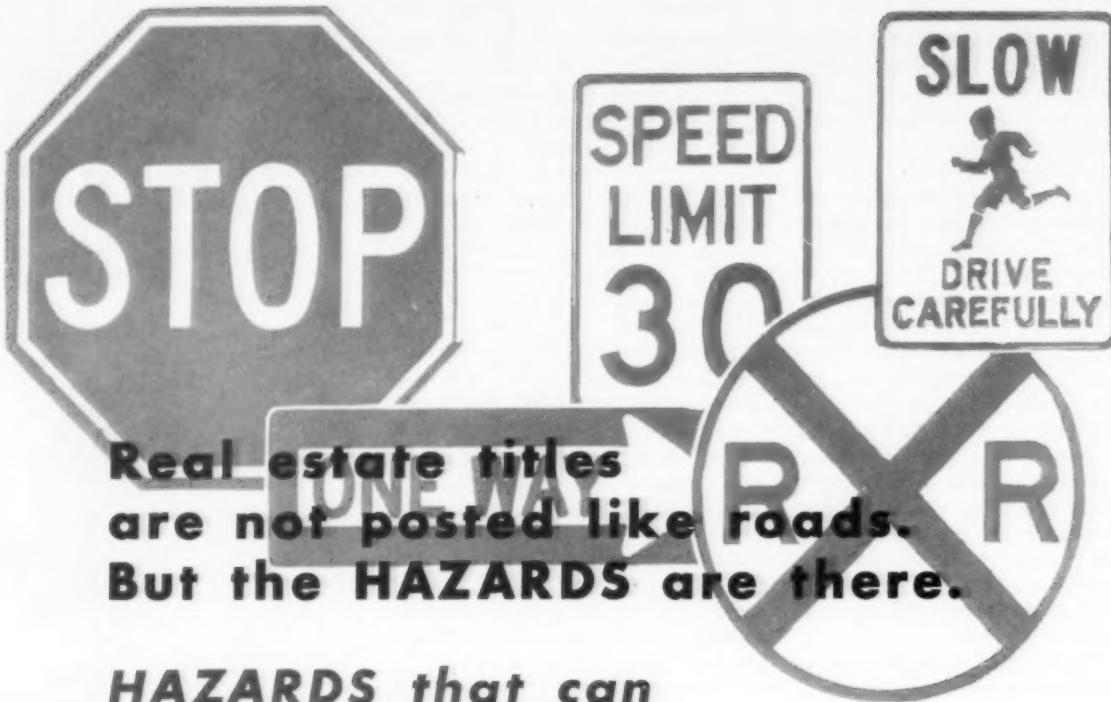
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# U.S. GROWTH FACTORS SINCE WAR STILL STRONG AS EVER

By THOMAS S. HOLDEN

*Vice Chairman, F. W. Dodge Corp.*

FOLKS who go shopping in the construction market in the coming months may encounter a certain amount of traffic congestion before the year is out. It is just possible that construction demands and contract commitments may rise too fast for the industry's available manpower and material supply.

Thomas S. Holden Building and engineering contracts awarded in the 37 Eastern States during the first quarter of this year, as reported by F. W. Dodge Corporation, amounted to \$6,099,-872,000. This was by far the largest first quarter total ever recorded. It led the first quarter of last year by 17 per cent. The first quarter set new all-time dollar volume records for

residential and non-residential building contracts and heavy engineering contracts.

This first quarter rise followed eleven consecutive calendar years of contract volume increase; it followed a year, 1955, which had itself recorded a 20 per cent increase over the immediately preceding one. There was evidence last year that both construction and general business activity were crowding the nation's total capacity rather hard. The nation's over-all total of goods and services produced (the so-called Gross National Product), made an all-time record in 1955 and registered an increase of 7.4 per cent over the preceding year; it continues to rise. Personal consumption expenditures also reached an all-time high last year and they also continue to rise.

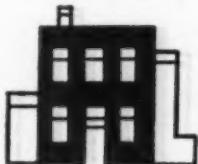
During the second half of last year total employment continued close to 65,000,000 persons, an all-time high.

In spots certain key materials were in tight supply from time to time; steel and cement, for example.

Although last year's cement shipment total of 300,000,000 barrels was nearly three times the 1945 volume, it wasn't quite enough for the 1955 demand; cement supplies were tight in various places. One company president has stated that the 6 per cent increase in total output expected this year will probably not eliminate the shortages, but that the situation should ease in 1957. This same authority has estimated that total current capacity at the beginning of 1959 will be 370,000,000 barrels, about 15 per cent over present capacity of 320,000,000 barrels. The Bureau of Mines anticipates, somewhat more optimistically, a 20 per cent capacity increase in the same period. In view of anticipated programs of highways and other public works, increased outlays for private industrial building and other potential

*The FIRST QUARTER set new, all-time dollar volume records*

*for residential and non-residential contracts but, says Mr. Holden, if the trend continues it may*

  
*strain the available supplies of manpower and materials. But what's most important in Mr. Holden's view is that the basic growth factors which have produced the amazing record of building and business generally since the end of the war are still here and as strong as ever. He projected his views*

*originally before members of the Lead Industries Association.*

construction demands, there is a question whether the anticipated capacity increase, large as it is, will be adequate.

The nation's economic growth since World War II has been so spectacular that it is very difficult to accept the idea that the economy may move ahead too fast in some important sectors. Yet that is just what appears to be happening.

More than ever before, our recent prosperity has been based upon a tremendously broad diversification of activities without major reliance on one bellwether industry. To maintain our growth and our prosperity we must move ahead on many fronts at the same time — savings, investment, industrial development, private and public construction, consumer spending and many other phases of activity. Naturally, progress on the various fronts is at different rates of speed; from time to time slowdowns in some activities are necessary while others are catching up with the procession.

This seems to be a slowdown year for the automotive industry, a speed-up year for industrial plant expansion. The construction record itself showed a first quarter pattern different from that of last year.

Residential building contracts in the 37 eastern states had a first quarter total of \$2,599,028,000, an 8 per cent increase over the first quarter of 1955. However, new residential floor space contracted for was up not quite 5 per cent and the number of dwelling units contracted for was down about 2 per cent. These varying percentages reflect a continuing trend toward somewhat larger and somewhat higher-priced units. Hotel and apartment projects were down, one-and-two family houses up a little.

Non-residential building contracts in the first quarter amounted to \$2,172,440,000, a 17 per cent increase over the first quarter of 1955, as compared with the 8 per cent rise in dollar volume of residential contracts. Within the non-residential category by far the biggest rise was in contracts for manufacturing buildings. Substantial increases were also registered for commercial buildings and educational and science buildings. Hospitals and institutions, public buildings, religious buildings and social and recreational

projects all declined in contract volume as compared with the first quarter of last year; since potential demands for such structures continue strong, these classifications may make a better showing in the months ahead.

Relative to last year's first quarter, heavy engineering contracts at \$1,328,404,000 showed by far the biggest percentage increase, 42 per cent. This appears to indicate that construction of new community facilities has begun to catch up with postwar rises in private building, a trend that is likely to continue for some time.

Construction commitments have thus far run well ahead of estimates that were made at the year's begin-

tion prospect it is difficult at this time to see ahead any obstacles in the way of continued year-by-year increases, barring war or catastrophe, except the possibility of setbacks due to various activities moving ahead too fast. Important backlog demands exist for highways, schools, hospitals, churches and other community facilities and there are continuing strong demands for housing, commercial buildings, factories and new and improved transportation terminals (particularly expanded airport facilities).

The growth factors that have been so strong since the end of World War II persist unabated. Population has passed the 167,000,000 mark, with a

*BACKLOGS FOR TOMORROW: Viewing the longer range construction prospect it is difficult to see any obstacles in the way of continued year-by-year increases, barring war or catastrophe, except the possibility of setbacks due to various activities moving ahead too fast. Important backlog demands exist for highways, schools, hospitals, churches and other community facilities and there are continuing strong demands for housing, commercial buildings, factories and new and improved transportation terminals (particularly expanded airport facilities).*

ning. The Dodge estimates, published last November, indicated for the full year 1956 a conservative 3 per cent increase over last year in dollar total of building and engineering contracts, compared with the recorded first quarter increase of 17 per cent. The advance estimates also indicated for the year a 2 per cent decline in new building floor space to be contracted for, against an actual first quarter increase of more than 7 per cent. Heavy engineering contracts have also been running ahead of the early advance estimates. The estimates anticipated that during the entire year all major non-residential building classifications would increase in contract volume over 1955.

The likelihood of a total 1956 contract volume surpassing all previous records, is very good indeed, even though the 17 per cent lead of the first quarter may not be maintained.

Viewing the longer range construc-

slightly larger net gain in the past 12 months than in any like period before. The nation's total output of goods and services (Gross National Product) is currently at the \$399 billion annual rate. Since 1939 the total output of goods and services has more than doubled, while population increased 26 per cent. In quantity of goods and services at his command today's average American is 60 per cent better off than his counterpart of 1939.

A generally accepted estimate for the country's Gross National Product in the year 1965 is a total of \$525 billion. Compared with the current annual rate of \$399 billion, this indicates anticipated growth of very substantial magnitude. It is to be noted that this estimate is considered conservative; it is made at a time when more people than ever before in industry and in government are making careful studies of growth potentials and long-range trends.

Over-all growth at such a rate presupposes more people and more purchasing power per person. It involves more houses, more community facilities of every kind, more schools and churches and recreational centers and more capacity to produce consumer goods and capital goods. It means expansion of practically every major economic activity and huge volumes of new construction in every important category. As the nation's inventory of existing structures increases year by year, so also does the over-all potential market for modernization, alterations and repairs.

A recent study brought out the fact that in periods of general economic expansion, investment in new construction tends to run 10 per cent of better to Gross National Product. In 1955 the ratio was nearly 11 per cent. It is reasonable to expect that such a relationship will persist in the coming years, if we assume a well-balanced expansion free from inflationary or speculative excesses. On the basis of that expectation total new construction investment should increase by 1965 to something in the range of \$52½ billion to \$58 billion. These

figures would compare with an overall \$42½ billion of new construction total last year and an estimated \$44 billion this year.

The construction estimates for 1965 quoted above are actually quite conservative. They are low in comparison with various needs estimates that have been published for highways, state and local public works, new industrial facilities, housing and other classes of construction. They may have to be revised upward somewhere along the line.

No one can possibly know whether the indicated expansion of construction volume will come about as a steady year-by-year rise, or by a series of spectacular spurts with periodic setbacks. I lean to the view that sudden spurts will unduly strain the nation's supplies of materials, manpower and money; I think that gradual substantial increases are more likely and more to be desired. The postwar record of constant year-by-year rises in total construction volume has been a new and wholesome experience for the construction industry and for the economy in general. Continued substantial progress of the same sort,

which seems to be the construction prospect as viewed from here, promises much for continued prosperity and for further rises in American living standards.

---

**The population gap** between suburbs and cities narrowed further in the 1950-55 period, with the outlying parts of standard metropolitan areas growing seven times as fast as the central cities in the period.

Despite this trend, however, the central cities of the metropolitan areas still contain the biggest single block of the U.S. population, amounting to just under a third of the total. This proportion has changed little over the last decade and a half.

The population of the outlying areas of standard metropolitan areas gained about 9½ million in population in the 1950-55 period to a total of more than 44 million inhabitants. The comparable figure in 1940 was less than 26 million. As a result, the suburbs now have 27 per cent of the total civilian population of the United States, the highest such proportion on record.

*Investment in new construction tends to run 10 per cent or better to Gross National Product.*

*In 1955 the ratio was nearly 11 per cent. It is reasonable to expect that such a relationship will persist in the coming years, if we assume a well-balanced expansion free from inflationary or speculative excesses. On the basis of that expectation total new construction investment should increase by 1965 to something in the range of \$52½ billion to \$58 billion. These figures would compare with an overall \$42½ billion of new construction total last year and an estimated \$44 billion this year.*



# ► IT'S SPENDING THAT CREATES PROSPERITY

So, to find out what is likely to happen to future U.S. business activity, we have to find out what is going to happen to spending. That's what Dr. McKinley does here—determines that governmental spending will be up by \$3 billion this year, business capital expenditures by \$5 billion, no change in inventory spending, housing expenditures up only a small amount and consumer spending on other goods and services up \$10 billion. Result, in the McKinley view: 1956 will be an extremely prosperous year with the second half even stronger than the first. Dr. McKinley first outlined these views before members of the Dominion Mortgage and Investment Association in Toronto.

► **By GORDON W. McKINLEY**

*Director of Economic Research, Prudential Insurance Company of America*

**I**N the United States during the past four or five months, the question, "what is going to happen to business activity?", is being asked with a great deal of seriousness.



G. W. McKinley

Toward the end of 1955, and in the first quarter of 1956, there has been a steady accumulation of rather ominous economic signs. In looking at the current economic scene, I am constantly reminded of the situation in early 1953. As in early 1953, the country has just come through a period of startlingly rapid economic growth. Business and consumer attitudes today are optimistic, as they were at the beginning of 1953. Consumer credit has been steadily expanding for over a year, as it had been in 1953. As in 1953, personal incomes are high, unemployment is low, and the labor market is very strong. Last but not least, the money market today is becoming so tight that one once again hears the talk, which was common in early 1953, of an approaching "money panic."

Faced with these similarities, and remembering that the boom ended in July of 1953, it is no wonder that some are asking whether the recession of 1956-57 will start this summer.

In attempting to look ahead, and judge the most likely future course of the U. S. economy, I find it helpful constantly to remind myself of a very simple, yet basic, fact about our economic system. In a free enterprise system it is *spending* which causes business activity. In socialist or communist societies, the direction and the volume of business activity is determined by the order of some government official or committee.

But in a free enterprise society, it is spending which evokes production. The *pattern* of our economic activity is determined by the *pattern* of spending. That is, as demand for specific goods or services rises, labor and resources are shifted to the production of those goods or services and away from other lines where demand is declining. Although we all recognize this response of the economic machine to the *pattern* of spending, we sometimes forget that the *overall volume* of business activity is also determined by spending. It can be put as simply as this: If we have lots of

spending, we will be prosperous; if spending declines substantially, we will fall into a recession or a depression.

It follows from this basic principle that, if we want to know what is going to happen to business activity, we must find out what is going to happen to spending. But total spending in the United States is too tremendous a sum to think about all at once, particularly since some kinds of spending are often declining while others are rising. In order to reduce the problem to manageable proportions, economists therefore divide the economy up into its principal spending segments and discuss each separately. In the United States, the principal spending segments are these: government spending, business spending on plant and equipment, business spending on inventory, consumer spending on homes, and consumer spending on all other goods and services.

Here is what I think will happen to each of these types of spending in the United States during the coming year. Then, at the end, we can add them all up to obtain an estimate of what is likely to happen to total spending, and therefore to total business activity.

In the middle of 1953—almost three years ago—Federal government purchases of goods and services in the United States reached the highest level ever experienced in peacetime. This was just six months after the Eisenhower Administration took office, and the rate of spending still reflected the appropriations of the previous Administration.

After the middle of 1953, Federal spending was drastically reduced. From the peak level of \$60 billion annual rate in mid-1953, Federal government spending fell by the end of 1954 to a \$46 billion annual rate. During 1955, this reduced rate was maintained, with total spending for the year amounting to \$45.5 billion. This meant that, although the Federal government during 1955 was contributing over \$45 billion to the general level of business activity, it was not supplying any *rising* impetus to business activity. In other words, the boom of 1955 in the United States was not engineered by government spending. It was generated entirely in the private sector of the economy.

In the coming year, Federal government spending is likely to rise by a small amount. At present, Federal spending is running at about the same level as in the comparable period of 1955, but later this year, as we move into the government's 1957 fiscal year, Federal spending will rise. By the end of 1956, government expenditures are likely to be about \$1 billion above the present level. Business activity will therefore receive a mild stimulus from this type of spending.

In addition to heavier Federal purchases, state and local government expenditures (which now amount to two-thirds as much as Federal spending in the United States) will also rise, by about \$2 billion. The continued need for new and improved highways, municipal buildings, schools, sewage systems, waterways, and all the other construction projects necessitated by our expanding and migrating population, will continue to push state and local government expenditures upward. This will not only contribute to overall business activity but will be particularly important in the construction field.

Total government spending (Federal, state, and local) by the end of this year is thus likely to be providing

about \$3 billion more support to business activity than it is now.

Now let's turn to the second major spending segment in the economy—business capital expenditures.

Business investment in the United States in such capital installations as factories, warehouses, office buildings, stores, transportation and communication facilities, power plants, machinery, and machine tools advanced substantially last year, from a \$37 billion annual rate at the beginning of the year to a rate of about \$42 billion in

future therefore depends on the volume of business capital investment today.

The prospects for a heavy volume of business capital expenditures in 1956 are excellent. New orders for machine tools in the last few months have been heavier than in any period since the Korean War surge in early 1951. The industry now has a nine-months backlog of unfilled orders. The railroad equipment industry has on hand unfilled orders for ten times as many freight cars as it did a year

*"We have reached the bottom, price-wise, for debt securities. Except for temporary week-to-week fluctuations, the money and investment markets will not become tighter than they are at present. Yields will remain firm, but are not likely to go higher. The demand for funds throughout the year will be very strong, but it will be met on approximately the present terms. The investment outlook for 1956, as I see it, is therefore for a continued heavy volume market, but with no appreciable change from the present price-interest rate structure."*



the last quarter. This increase in business spending on plant and equipment is important not only because of its immediate effect on employment and incomes but also because of its effect on our ability to produce in the future. The rise in our standard of living over the years has not been brought about by greater physical exertion or longer hours by our labor force. Substantial increases in economic output can be accomplished only through the use of more, and better, capital equipment. Our standard of living in the

ago. Heavy construction contract awards, which had fallen off quite noticeably in the last quarter of 1955, zoomed to an all-time record in the first quarter of 1956, thus giving advance notice of what will undoubtedly turn out to be our greatest heavy construction year.

Considering all the factors I have mentioned, I estimate that business capital investment at the end of this year will be about \$5 billion above the 1955 year-end level, providing one of the strongest points in the business

picture during the coming months.

The third major spending segment in the United States economy is another kind of business spending—business inventory purchases. This is perhaps the most volatile of all spending, and therefore one of the most difficult to forecast.

One of the causes of the 1953-54 business adjustment in the United States was that inventories in early 1953 had climbed to a level out of proportion to sales. The economy was first over-stimulated as these inventories were built up, and then depressed as businessmen attempted to bring inventories into a proper relationship with sales. By the end of 1954, however, business had succeeded in establishing a satisfactory inventory-sales ratio, and as sales began to rise in early 1955, inventories were permitted to increase gradually. In the last three quarters of 1955, inventories began to rise more rapidly, reaching a \$5 billion annual rate of accumulation by the end of the year.

Ordinarily, so rapid a rise in inventories would be cause for alarm. It might be asked whether the whole inventory cycle of 1953-54 would be repeated in 1956-57. The rise of inventories does bear careful watching, but it should be noted that, while inventories rose substantially in 1955 and are still rising, sales have also risen very rapidly so that the inventory-sales ratio at present is still very favorable.

In the first quarter of 1956 we have seen some rise in automobile stocks and this has pushed the total business inventory figure upward. There has also been some speculative stockpiling of steel in anticipation of price increases following the pending labor negotiations. I do not believe, however, that the automobile industry will experience any real difficulty this year, and inventory accumulation in other lines will be moderate.

Total business inventories for the year should rise about \$4 billion, a rate very similar to the average rate experienced last year. This factor, considered alone, will therefore not call for any change from the current rate of business activity.

Now, let's turn from business spending to consumer spending. For purposes of discussion it is convenient

to separate consumer spending into two parts—consumer outlays on housing, and consumer spending on all other goods and services.

analyses of the U. S. housing market at Prudential and the results seem to indicate that over the next five years to 1960 we cannot expect an

*"Although housing starts for the year will probably be about 1,200,000, or 8 per cent under 1955, the trend during the year will be upward. In addition, it is important to note that actual spending on homes will rise more rapidly than the number of housing units constructed. The rising price of the average new home, along with the steady modernization and enlargement of existing homes, should lift the total of these expenditures a half billion by the end of the year. As far as overall business activity is concerned, spending on homes during the remainder of 1956 is thus likely to provide a mild stimulant".*

During 1955, residential construction in the United States constituted one of the strongest spots in the economy. Over 1,300,000 housing units were started during the year, a record second only to the all-time peak achieved in 1950. Spending on new residential construction, amounting to over \$16 billion, outpaced all previous years by a wide margin.

Although 1955 was one of our greatest housing years, there was in evidence all year a gentle downward drift in the number of housing starts. The year opened with a terrific seasonally adjusted annual rate of over 1,400,000 starts. By December, 1955, this rate had fallen to just under 1,200,000, and the March, 1956 figure shows an annual rate of only 1,140,000, the lowest for any month since May, 1954. This decline in the volume of residential construction has been due partly to the increasing tightness of the mortgage market,

partly to positive steps taken during 1955 by Federal government agencies to restrain the volume of loanable funds flowing to this market, and partly to the rising price of homes.

I feel, however, that even without these restraining forces most of the decline would nevertheless have occurred. We have made very careful

annual average demand in the United States for much more than 1,100,000 housing units. This conclusion follows from the fact that family formation will not rise appreciably before 1960, and also from the fact that the process of undoubling, which has provided almost one-third of the demand in the postwar period, is now largely completed. Now, of course, 1,100,000 units a year will still give us a very prosperous residential construction industry. But I do think that it should be realized that residential construction over the next five years will not grow as fast as the rest of the United States economy.

The 1,100,000 unit figure is, of course, an average figure. In 1956, I should not be surprised to see slightly more units produced—perhaps 1,200,000.

Although housing starts for the year will probably be about 1,200,000, or 8 per cent under 1955, the trend during the year will be upward. In addition, it is important to note that actual spending on homes will rise more rapidly than the number of housing units constructed. The rising price of the average new home, along with the steady modernization and enlargement of existing homes, should lift the total of these expendi-

tures a half billion by the end of the year. As far as overall business activity is concerned, spending on homes during the remainder of 1956 is thus likely to provide a mild stimulant.

Now, let's turn to the last major spending segment in the economy—consumer spending on goods and services other than homes. This type of spending ordinarily accounts for about two-thirds of total spending in the United States. During 1955, the annual rate of personal consumption expenditures rose by the astounding total of \$16 billion. Consumers continued, as they have done year after year, to provide a strong driving force in the economy.

It is not hard to single out the forces underlying this tremendous rise in consumer spending. Personal income during 1955 rose to record levels. The labor force grew by the unusually large number of two and one-half million persons. Unemployment was reduced by half a million persons. Average hours per week were lengthened and average hourly earnings climbed substantially. Last, but not least, consumers gained increased confidence in the stability and soundness of the economy.

Consumer spending during 1955 did not, however, stem entirely from higher incomes. Consumers went into debt \$6 billion during the year so that they were able to increase their purchases more rapidly than their incomes rose.

During 1956, the rise in personal income will be continued. The labor force will grow, though by a much smaller amount than in 1955. Average hourly rates will rise and the working week will probably remain as long as it is at present. Unemployment may be pushed down even below its present extremely low level. As a result of these factors, I estimate that the labor and salary component of personal income will rise by about 5.5 per cent. Although the other components of personal income—rent, interest, and profits—will not rise as rapidly, total personal income will nevertheless be up by about 4.5 per cent in 1956—an increase of over \$13 billion.

Not all of this increase in personal income will be reflected in consumer spending. The rise in repayment of consumer debt in the United States

is beginning to catch up to new consumer extensions so that part of the \$6 billion of additional spending through borrowing which we experienced in 1955 will be missing this year. Consumers will probably also save more of their incomes in 1956 than was true in 1955. On the other hand, there is some possibility of a reduction in the personal income tax rate later this year, and this might add about \$1 billion to spendable income.

Considering all these factors—the rise in personal income, the slowing down of consumer credit extension, the increase in savings, the possibility of an income tax cut—I estimate that consumer spending will increase during 1956 by *about \$10 billion*, providing strong support to overall prosperity.

Now let's sum up all the separate spending segments I have discussed to see what is likely to happen to *total* spending in 1956, and thus to total business activity.

We have said that total government spending (Federal, state, and local) will be up \$3 billion; that business

together, we find that total spending is likely to rise during the year by about \$18 billion.

At the beginning of this year, the Gross National Product, i.e. the value of all goods and services produced in the United States, was running around \$397 billion. If we add the expected increase of \$18 billion in demand for goods and services in 1956, you will see that I expect GNP some time this year to top the \$410 billion mark, with the possibility of reaching \$415 billion by the end of the year.

Although it is possible that some future reversal in consumer or business psychology may alter this picture, the evidence now at hand indicates that 1956 will be an exceedingly prosperous year for the United States, with the second half of the year being even stronger than the first half.

Now, what does all this mean for the investment markets? Will there be an adequate supply of mortgage money in the coming year, and if so at what prices? Are we likely to see a further rise in corporate and government bond yields, with a consequent

*"Over the next five years to 1960 we cannot expect an annual average demand in the United States for much more than 1,100,000 housing units. This conclusion follows from the fact that family formation will not rise appreciably before 1960, and also from the fact that the process of undoubling, which has provided almost one-third of the demand in the postwar period, is now largely completed. Now, of course, 1,100,000 units a year will still give us a very prosperous residential construction industry. But I do think that it should be realized that residential construction over the next five years will not grow as fast as the rest of the United States economy."*

capital expenditures will be up \$5 billion; that there will be no change in the rate of inventory purchases; that housing expenditures will be up a very small amount; and that consumer spending on other goods and services will be up \$10 billion. When we add all these spending segments

fall in the price of debt securities?

In the United States the tone of the money market and of the investment markets is set by the Central Bank. Although it would be an exaggeration to say that the Federal Reserve Board establishes the level of interest rates in the United States, it is not an

exaggeration to say that a given level of interest rates can exist only with the tacit approval of the Board. Putting it in another way, the Federal Reserve Board does not bring into being all the factors which cause interest rates in the United States to rise and fall, but the Board *does* have the power to offset those factors, so that, within broad limits, the level of interest rates is, in fact, determined by the Board.

Because the Federal Reserve Board has the power, and the duty, to determine the level of interest rates in the United States, any estimate of the future course of the money and investment markets rests ultimately on an estimate of the action most likely to be taken by the Board in easing or tightening the credit situation. This does not mean, however, that those of us in the investment world should stop thinking about the supply and demand for funds and should spend all of our time trying to psychoanalyze the members of the Federal Reserve Board. The first job of the investment officer is to decide what the situation in the economy and in the investment markets would be if no action were taken by the Central Bank. Having prepared this picture, he is then ready to consider what action the Central Bank is likely to take in offsetting, or perhaps intensifying, basic investment market trends.

Last year, the money and investment markets of the United States economy absorbed about \$46 billion of net new funds. That is, over and above the reinvestment of all repayments on outstanding loans, lenders were called upon to provide \$46 billion of new additional funds during the year. Of this \$46 billion, \$42 billion represented the savings of individuals or business establishments. A small part of these savings were invested directly by individuals or non-financial corporations. Most of the savings, however, were channeled through savings institutions such as life insurance companies, savings and loan associations, pension funds, mutual funds, savings banks, or the savings departments of commercial banks. The demand for funds last year was so strong however, that the \$42 billion of savings was not sufficient to meet the demand. The remaining \$4 billion of funds was supplied by the creation of new money through an expansion in the demand

deposits of the commercial banking system.

Now, what is likely to be the situation in the coming year with respect to the demand for, and supply of, investable funds? I have indicated that the economy will be prosperous, that state and local governments will be increasing their expenditures, that businesses will continue to need increased working capital, and that the tremendous plant and equipment expenditure program will require substantial amounts of long-term funds over and above what corporations are able to generate internally.

Despite all these needs, I do not believe that the net new demand for funds in 1956 will be quite as large as in 1955. This is partly because 1955 was also a boom year with production advancing more rapidly than it will advance in 1956, partly because the need for residential mortgage funds in 1956 will be very little more than in 1955, and partly because the Federal government will show a small surplus in calendar year 1956 whereas it was a net borrower to the tune of \$2 billion in calendar year 1955. The need for net new funds in the United States in 1956 will, I believe, total about \$44 billion, \$2 billion less than in 1955.

While the *demand* for funds will thus decline slightly, the *supply* of non-bank-created funds in 1956 is likely to be somewhat larger than in

1955. Funds supplied to the investment markets by non-financial corporations may decline somewhat, but savings through financial institutions will continue to show the same steady growth exhibited throughout the post-war period. The total supply of funds from savings sources in 1956 will probably amount to \$43 billion, \$1 billion more than in 1955.

With the demand for investment funds probably declining to \$44 billion, and the supply of funds from non-bank sources creeping up to \$43 billion, it is apparent that the gap to be filled through bank creation of money will fall to \$1 billion, as compared to the \$4 billion gap in 1955. At first glance, this decline in demand and increase in supply might lead us to conclude that the investment markets during the year will ease, with rates softening and prices firming. But this conclusion would overlook a very important difference existing between the situation of the commercial banking system at the beginning of 1955 and at the beginning of 1956.

At the beginning of 1955, the commercial banking system in the United States had around \$650 million of excess reserves. The member banks were in debt to the Federal Reserve Banks by about \$400 million. The commercial banks as a whole therefore had available \$250 million of what we call free reserves, i.e. excess reserves not derived from borrowing

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at the Federal Reserve Bank. On the basis of these free reserves, the commercial banks were in a position to supply a billion dollars of money without any assistance from the Federal Reserve Banks. In addition, during 1955 the commercial banks borrowed another \$500 million from the Federal Reserve Banks and, on the basis of these extra reserves, they were able to supply another \$3 billion to the money and investment markets.

Now, at the beginning of 1956, we find quite a different situation. As the result of the expansion in 1955, the commercial banks have already used up all the free play in the banking system. The banks now have around \$650 million of excess reserves, just as they did at the beginning of 1955. But they are at present in debt to the Federal Reserve Banks by over \$1,100,000,000. They thus not only have no free reserves; they are in what we call a negative free reserve position of \$500 million.

The gap to be filled by the commercial banks in 1956 is only \$1 billion compared to \$4 billion in 1955. Despite this reduction, the present situation of the banks is so tight that unless the Federal Reserve Banks come to their rescue I do not believe that they will be able to fill the gap. If they are not able to do so, the demand for funds will have to be reduced, through rising interest rates, to the available supply of funds.

The picture I have described is the situation facing the Federal Reserve Banks today. In order to complete our analysis of the investment outlook, we must turn to the Federal Reserve Board and attempt to guess what action the Board will take to ease, or perhaps to further tighten, the market. I have intentionally used the word "guess" because no one can, of course, be sure what the reaction of the Board will be. My own opinion is as follows:

I believe that the Federal Reserve Board, faced with a very prosperous economy and one in which there is more than a suggestion of inflation, will continue to exercise the fairly strong restraining hand it has shown over the past few months. This will rule out any possibility of a substantial easing in the money and investment markets. On the other hand, it seems to me that the Federal Reserve Board is not likely to permit a further

tightening of the investment situation. The present members of the Board remember well the situation in early 1953 when a very similar sequence of events in the United States evolved into something quite close to a money panic. Over the coming months, the Board is therefore likely to hold the commercial banks in a negative free reserve position. But, in order to prevent a further tightening in the market, I believe the Board will gradually supply additional reserves through open market operations. In this way, the commercial banks will be able to fill the \$1 billion gap in the supply of investable funds, but while doing so they will be held under constant pressure by the Federal Reserve Banks.

The foregoing analysis leads me to this conclusion regarding the 1956 investment outlook in the United States: We have reached the bottom, price-wise, for debt securities. Except for temporary week-to-week fluctuations, the money and investment markets will not become tighter than they are at present. Yields will remain firm, but are not likely to go higher. The demand for funds throughout the year will be very strong, but it will be met on approximately the present terms. The investment outlook for 1956, as I see it, is therefore for a continued heavy volume market, but with no appreciable change from

the present price-interest rate structure.

New capital funds coming available for investment from life insurance companies in the first quarter of 1956 totaled \$1,276,000,000, according to the Institute of Life Insurance. This was the increase in assets of the more than 1,000 life insurance companies of the country.

Adding the funds coming available for reinvestment through maturities, refundings, prepayments and the roll-over of short term investments, the life companies made total new investments in the quarter of \$4,539,000,000, or \$18,000,000 less than in the corresponding period of 1955.

Real estate mortgages comprised the largest single block of investment acquisitions in the quarter, accounting for \$1,766,000,000. This was \$188,000,000 more than a year ago. Mortgage holdings of the life companies were \$30,383,000,000 on March 31.

Corporate bond acquisitions in the first quarter were \$1,393,000,000, up \$401,000,000 from a year ago, bringing holdings of such securities by the life companies to \$36,593,000,000 on March 31 this year. Corporate stock purchases of the life companies declined to \$97,000,000 in the first quarter, from \$114,000,000 a year ago, such holdings increasing to \$2,977,000,000 on March 31 this year.

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# Slums of Tomorrow—Have

By WALTER H. DREIER

**C**HANGES are taking place in the American housing picture that are both rapid and sweeping. Traditional styles of houses have been fading more swiftly than many anticipated five or 10 years ago. Obsolescence is running more rapidly than at any time in our history. Some of us know of communities where houses are being built that are obsolete as soon as they are finished.

Our mortgage lending, and particularly our appraisal job, today is complicated by the rapid changes taking place in the character of our city, the rise of our suburbs, the mobility of our population, and the advances of American technology in the field of housing.

Interwoven in this whole problem of evaluating the future security of property is the status of the housing markets.

The biggest news in housing in 1956, as it has been for the last year or two, is that the acute postwar housing shortage is over.

Some lenders and builders have failed to appreciate this fact. For example, we have recently witnessed the experience of a complete turnaround in the market for new homes in one of the metropolitan areas of our great Southwest, where practically overnight, to the surprise of many builders and lenders, the market became a real buyer's market. The builders who had not improved their land planning and the up-grading of the construction and design, were left "holding the bag."

W. H. Dreier



In this market, building and selling homes was so easy that many amateurs, such as firemen on their days off, entered the construction field. Builders and lenders did not seem to mind during this period of easy sales that their FHA and VA offices were some of the most reactionary in the country as far as accepting new ideas of design and new materials in construction.

Home buyers in almost every city have today a wide choice of houses. The keynote of the real estate market currently appears to be *competition*. The housing market is taking on the characteristics more and more of the automobile market. The ability of the producer—whether it be of automobiles or houses—to make a profit depends today upon his ability to market a product which is of an acceptable style and in the case of houses a product which is well located in terms of all of the factors that make one location better than another.

If I am right about this, then I think it has some clear implications with respect to our mortgage lending operation purely from the selfish standpoint of adequate security behind our loans. I further think that this competitive market will last for quite a number of years—at least until the next big bulge in the number of families in the home-buying age in the mid-1960s.

As lenders I think that savings and loan people have some responsibilities in this connection beyond that concerning the mere soundness of our own loan portfolio. I think we have a responsibility to make certain—so far as we are able—that the homes that we finance today and the communities and neighborhoods that we are

helping to create are not becoming immediately obsolete or do not become the slums of five, ten years and fifteen years from now.

If truly the postwar housing shortage is over, as I believe it is, then I think as lending institutions, we ought to lend our influence in making certain that the whole home building industry plans and acts as if it were over.

This requires, in my judgment, a complete re-examination of the thinking within and without the housing industry with respect to our home building programs. Most certainly, the building programs that were developed to meet housing shortages are not necessarily the ones needed today.

A decade ago, the housing shortage was desperate. Quite properly, therefore, the attentions and efforts of the housing industry were directed to the turning out of as many dwelling units as could be built. But the time of that acute need has passed. Frankly, I believe that the time has come when we must focus ever-increasing attention on greater quality, and diminish our concern with quantity.

I say this in the full realization that my views are not shared by some responsible persons in the home building industry and some in government circles. Some people believe that the housing industry should still concentrate its efforts on building more so-called minimum or low-priced houses with regard only for *quantity* of production and with little regard to the quality and style of the house, and with little attention paid to neighborhood or subdivision standards.

I do not disagree with those who believe that the home building industry should drive rapidly ahead in

# We Been Building Them?

*It's a question that makes every lender wonder at times—how marketable 10 or 15 years from now will some of these low-cost houses be? Have we been building some slums of tomorrow that are likely to become slums quicker than they have ever been created before? Certainly obsolescence is running more rapidly than at any time in our history. Tastes in housing style have undergone a revolution in recent times. What do these developments presage for the future? Mr. Dreier believes that the housing shortage stage of the current cycle is definitely behind us and that not until the mid-'60s will we encounter the next big bulge.*

*Thus, the challenge ahead is not so much the prospect for more low-cost housing but rather a considerably better quality of housing. Mr. Dreier is president of the U.S. Savings and Loan League and set forth these observations, which have a pertinent interest for all mortgage lenders, at one of the group's Florida regional meetings.*

research and study to develop procedures that will basically reduce the cost of producing American housing. I think the savings and loan business, as well as the home building industry and government departments, should continue to seek every means of producing a better home for less money, of correcting building codes that add to the cost of producing a house without increasing its quality, of eliminating inefficiencies in the production process.

I do not think, however, that we should sacrifice quality of construction and neighborhood standards merely for a tremendous quantity of low priced homes. I do not think that we should fall into the error of thinking that the only way to provide owner-occupied homes for our lower income families is to build millions of new low-priced minimum homes on small sized lots and in neighborhoods without adequate community facilities.

Before World War II, it was common practice for young families to purchase existing houses as their "first homes" and then move into larger and newer quarters as their economic circumstances improved.

Since the war, however, most new or young families have bought new

houses as their "first homes" and this has accounted for the fanatical emphasis on the need for "low-priced" new housing.

The undesirable aspects of continuing this process are obvious. First, it completely bypasses the use of the tremendous inventory of existing homes that were built before and since the war. Second, it tends to retard, rather than advance, the overall standards of American housing.

It is true, of course, that many home builders fear that not a large enough market exists for larger and higher quality homes. However, there is evidence to indicate that much of this fear is groundless.

Basically, I believe that if we are to improve the quality of more and more housing production, builders, realtors and lenders must realize that an increasing portion of tomorrow's buyers of new houses will come from families who have already paid off their mortgages, or built up substantial equities in their present homes.

This is the great market which needs to be tapped in 1956 and in the years immediately ahead.

I do not believe that the emphasis that has been placed on low-priced housing is in the long-term best inter-

ests of better housing for the American people. I am afraid that many of the low-priced houses being built today in sections on the outskirts of our city will be our problem houses 10 years from now just as houses in the older sections of our city today are problem houses.

I am afraid that in the search for a low sale price for new housing we have permitted the building of houses in subdivisions without adequate sewage facilities, with an inadequate water supply, and in subdivisions laid out only with an eye toward economy, low sales price for the houses, or maximum profit for the builder. I refer to the subdivisions with the old rectangular grid pattern and house designs and variation which show little imagination or eye toward the appearance of the entire community.

Again, comparing housing with the automobile market, I think that too many of our houses are like the automobile that Kaiser Motors produced for a while. Remember it—the Henry J? Where is the Henry J today? In the junk heap!

As a lender, I am skeptical of the marketability 10 or 15 years from now of some of these low cost houses that we are building today. I am afraid

we might be building too many Henry J's.

The responsibility of savings associations is to make sure that the savings entrusted to their care are safe. For this reason we are concerned, or should be concerned, with the marketability or salability of the new houses we finance 10, 15 and 20 years from now.

We must be certain that we are not creating a new set of slums or real estate problems.

Perry Prentice, the editor of *House and Home Magazine*, has thrown out this challenge: "When the average family can afford to pay \$20,000 for its home (as he and most economists think they can 15 and 20 years from now) what are we going to do with all the cheap little houses we have been building since the war? What are we going to do with the 30,000,000 semi-obsolete houses that are left over from before 1930—not to mention the 6,000,000 homes where people are forced to live today that are no longer fit for human habitation?" Perry Prentice said that he doubted if there are 10,000,000 homes good enough, out of the 50,000,000 houses being lived in today, that anyone will want to live in by 1980 unless they are completely done over and modernized from top to bottom. He asked why we keep on building and financing a million more houses each year of a kind that most families will be wanting to move out of long before the mortgage is paid off.

I do not mean to imply that the solution of this problem is a simple one, nor that the solution is only the financing by our institutions of houses that sell for \$20,000 or more, or houses located only on 100 foot lots.

On the contrary, it will require the greatest feat of salesmanship and merchandising in the housing industry. To say it another way, I believe an increasing percentage of the houses built by private industry will have to have enough new ideas and improvements that hundreds of thousands of Americans now owning and living in existing housing will be unable to resist buying new houses.

This will necessitate an all-out, well-coordinated job of merchandising by all segments of the housing industry. Essentially, it is not unlike the task that faces the huge automobile com-

panies, who year in and year out, must think up new engineering features, new designs, new interiors—in other words, new sales appeals to create markets for new cars coming off the production lines.

The implementation of this kind of

*"Fed upon by the tremendous postwar demand, practically all of the excess of developed land has been used. In most communities suitable developed land has almost disappeared. With the transition of building construction from a craft to a mass production industry, and the emergence of large-scale builders who were merchandisers, the development of land merged with the building of homes. If housing continues to be built at the rate of one million or more units per year, we will need five million more home sites by 1960. Where are they coming from?"*

merchandising program is, to be sure, not the job of builders alone.

It is the job of the best creative minds in American industry who must think up new things to be used in the home—new appliances, new comforts, new conveniences.

It is the job of the architect who must discover new and more advantageous ways of using living space in houses.

It is the job of the real estate man who must work toward the development of better-planned communities and the use of lots which provide more light and air.

It is the job of the lender who must

insist that the buildings which are financed are abreast of the latest advances in American technology and therefore marketable a generation hence.

Many things have been said about the FHA program, both good and bad. One of the things about which almost all agree on the good side of the ledger relative to the FHA, is that it has insisted upon and produced some rather decent standards as to neighborhood and subdivision layout and in community facilities. In recent years the Veterans Administration has also done a reasonably good job in seeing to it that certain necessary minimum standards of construction, quality, street, sewer and water facilities in subdivision planning are maintained.

I agree that in many instances the FHA and VA requirements are unrealistic, inflexible, and add some unnecessary costs to the job of the builder. That probably is inevitable with any government operation. The inflexibility and the detailed requirements of the FHA have been among the reasons that builders have often preferred to do business with savings and loan associations. We are naturally more flexible, more understanding and easier to get along with than the government employees who must look to Washington for every policy decision. On the other hand, the FHA staff has taught a lot about neighborhood planning and minimum construction requirements and I think in many instances the neighborhoods and houses financed with an FHA loan have been of somewhat higher quality than some of the projects financed, yes, by our institutions under conventional loans. I think in

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our desire to help the builders produce a low-priced house with a minimum of red tape and trouble, that we have been guilty of paying too little attention to some of the things, which preserve the stability of the neighborhood, marketability of the house and good residential living. It is my hope that in the coming years savings and loan people will correct those phases of their operation to the extent correction is needed.

A phase of the campaign to produce better neighborhoods and better housing must deal with neighborhood and lot planning. This is particularly important and timely, in view of the growing shortage of adequate home sites. This problem is as important as any we have.

As the country emerged from the ill-fated '30s and new construction revived, we had plenty of land available in most communities because of the over-subdividing of the '20s. The day of the subdivider who bought land wholesale and sold it retail, usually to individuals, happily has passed. The narrow, deep lot that was the subdivider's trademark was one of the greatest evils ever visited upon residential building. Light and air were cut off, fire hazards were increased, privacy was decreased and street facilities and utility systems were seriously overloaded.

Fed upon by the tremendous post-war demand, practically all of the excess of developed land has been used. In most communities suitable developed land has almost disappeared. With the transition of building construction from a craft to a mass production industry, and the emergence of large-scale builders who were merchandisers, the development of land merged with the building of homes.

If housing continues to be built at the rate of one million or more units per year, we will need five million more home sites by 1960. Where are they coming from?

The large-scale builder who gets all the publicity doesn't build all of the houses. Project builders are small in number, in relation to the small builders. The shortage of developed land is a definite handicap to the small builders. He doesn't have the capital to purchase a large tract of land to develop it and install the facilities

and utilities necessary. This, to the small builder, is his Number One problem.

There has emerged in the past few years a new type of subdivider who developed large tracts of land and disposes of groups of lots to smaller

*"The necessity of building sites being created from raw land presents an opportunity to mortgage lenders to assert their influence in favor of better planned residential developments, if we will but seize the opportunity. Neighborhood depreciation is often a greater threat to loan security and is harder to remedy than is structural deterioration. The effects of the people engaged in real estate and shelter industries, together with the activities of government at all levels, has not produced too much in the way of tangible results in the clearing of slums and urban renewal. It is an overwhelming task and will take years to correct or remedy."*

builders and who is becoming a factor in supplying lots.

Usually such developers apply covenants running with the land or deed restrictions controlling the architectural design and provide for parks,

playgrounds, school and church sites. The lots are wholesaled to builders on various plans. Many such land developers, however, feel that the FHA and VA have been unrealistic in their land appraisal values of these developed lots. In some communities small builders have banded together cooperatively to purchase and develop raw land, and one local association of home builders in California has made it an association activity. On the whole, these land developers are doing a good job of land planning and in the control of architectural design and layout.

Some land developers unfortunately are still creating new units laid out according to the old gridiron pattern and not applying enlightened land planning principles. Sometimes they are thwarted in their attempt to apply these principles by local communities who do not wish to grow, or unincorporated areas that prefer to remain the way they are. They put all possible road blocks in the way of intelligent land planning, because basically they are attempting to keep the builders out.

Modern land planning rather than a piece-meal, hodge-podge addition to communities, is good for the community. Savings and loan associations in those states where they have the local power to engage in land activities have done so successfully to the benefit of themselves in the acquisi-

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tion of good mortgages. Basically land planning envisions not only single lots, but the entire neighborhood and its surrounding area. Neighborhood disintegration is a prime factor in the rapid depreciation of residential values.

The necessity of building sites being created from raw land presents an opportunity to mortgage lenders to assert their influence in favor of better planned residential developments, if we will but seize the opportunity. Neighborhood depreciation is often a greater threat to loan security and is harder to remedy than structural deterioration. The effects of the people engaged in real estate and shelter industries, together with the activities of government at all levels, has not produced too much in the way of tangible results in the clearing of slums and urban renewal. It is an overwhelming task and will take years correct or remedy.

The day of the "city beautiful" planner has pretty well passed and the land planner today has a great deal in common with the appraiser. The objective is to provide economically sound land and structures. Land use is directly allied with the value of land. In modern land planning, the emphasis is on working with nature, following the natural terrain and the saving of trees instead of bulldozing the way through the terrain, spoiling natural contours.

In order to retain value over the years, a community must have character which cannot be done with the sign and ornamental post, or a distinctive entrance plan.

Another problem that we should be concerned with is the increased use of septic tanks. It has been estimated that of the new units built in 1955, about 400,000 were built out of reach of existing sewerage facilities. The septic system is the most complicated

sewerage system known to man. It can mean higher long-term costs, a direct threat to loan security, unless proper installation standards are rigidly supervised and enforced by local health authorities.

The long-term value of residential property is encompassed not only in location, but also in up-to-date building codes and construction standards. Unfortunately, a set of national construction standards cannot be outlined because they necessarily vary in different parts of our country, from region to region, as well as from state to state. They are influenced by fundamental differences in climate and natural terrain; also the inclusion or exclusion of many features influenced by the economic background of a community.

Our nation's steadily rising standard of living almost serves as a mandate to the mortgage lender that he be consistently on the look-out for improvements, both technological and social, that satisfy the kind of housing that people want and will continue to want over the years. By insisting on modern, up-to-date construction standards, you will be insuring your loan portfolio against a substandard stamp that progress is leveling at such a large segment of our housing.

Even though a lender may be concerned with FHA and VA standards, each lending institution should establish its own building standards that can serve as a guide for its conventional lending in its own community.

We must be familiar with the advantages and disadvantages of prefabrication, as well as the component method of construction. Better design is a growing need and we must realize that the same materials, properly arranged in a pleasing design, cost no more than a less appealing design. Building codes must be revised and brought up-to-date.

In order to aid this process, we must give some thought and consideration to furnishing financing for the trade-in house. It is through the trade-in that the automobile industry has been able to do such an outstanding merchandising job.

I urge all savings association managers, loan officers, appraisers, contractors and loan committee members responsible for the formulation of appraisal policies and the execution of them to:

» Assist in every way possible to bring about the adoption of up-to-date zoning ordinances or revisions of existing ordinances that will allow and demand the practice of modern land planning in their communities.

» Assume leadership in securing the adoption of enlightened building codes or revisions of existing outmoded codes, including the necessity of efficient local staffs to administer such codes.

» Recommend to subdividers and builders the use of modern, simple, and well-drawn protective covenants to implement existing zoning ordinances, thus assuring harmonious property development for the protection of neighborhood stability beyond that offered by zoning ordinances.

» Establish minimum architectural, construction and land development standards for the construction loan department.

» Keep under constant study and review, the technological changes in construction and methods developed by research.

I am sure that with our innate business intelligence, personal fortitude and mutual forbearance we can, in our own communities, be the motivating forces to upgrade the standards of our new housing through modern land planning and good architectural design. Together we can continue to build a better America.

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# Higher Cost of Money Good But Not Its Restricted Availability

By HENRY C. ALEXANDER

*Chairman, J. P. Morgan & Co., Inc.*

**H**OW is business? It is, in the aggregate, at a high level, down slightly from the peak of the fourth quarter of 1955 and currently moving rather sidewise, perhaps with some slight easing. This condition is reflected by most of the many indices we follow. And I think it shows up in the way most businessmen and bankers feel and talk—and their feelings and their talk are terribly important at any given moment—not as to the past but as to the present and as to the future.

But it is worthwhile taking a look inside this aggregate picture. Within the over-all figures, there are divergencies of movement. There is a mixture of "hard spots" and "soft spots." Strengths and weaknesses exist together. Demand for automobiles, farm implements, synthetic fibers, home building, household appliances and

some other consumer products has declined—rather sharply in some instances but in most only mildly. In many of them the volume is still large but margins and profits have shrunk.

While these "soft spots" exist in certain segments, many industries such as steel, non-ferrous metals and machinery and equipment are faced with a greater demand than they can supply, even though operating at the ceiling of their capacity. No doubt the strongest forward force in the economy is business investment in new construction and equipment. Expenditures for this purpose in the current year are now estimated at \$39 billion, or 30 per cent more than in 1955, when an all-time record was established. Demands for materials for this program fall most heavily on the short supplies and accentuate the bottlenecks.

Is this the kind of economy we want? Is it the kind that is safe to have? The aggregate is excellent, but the divergencies existing within do not represent a perfect balance—something we shall never attain but should always seek. Bottlenecks bring higher costs and higher prices. In these areas wage patterns are being boosted quite sharply already, and bottleneck employers do not seem inclined to resist very strongly. They have open to them an escape through a price increase—maybe several of them. Prices of industrial products are rising and have been doing so since last June at a rate of about 6 per cent per annum. The over-all wholesale price index, including farm products, has risen also in the same period, but at about half that rate. In some segments of the economy we still have to watch out for spiraling prices—inflation, the

*Many voices have been raised against the tight money policy and it's a pretty good guess that, since this is an election year, a good many more will join the chorus. Mr. Alexander, head of one of America's great financial institutions, goes part way. He says: "I have no quarrel with the present level of rates. They are, with possible minor exceptions, the lowest in the free world; they are low in historical perspective and are not significantly discouraging loan demand. That difficulty is not in the cost of money but in the degree of its availability. Money should always be available to worthy borrowers, large and small, at a price. The fear of unavailability is about as bad as the thing itself. It brings on contraction and retrenchment and liquidation, even when there may be no good cause for it. This aspect of money is the more crucial one. Too much money leads to boom and then to bust, too little leads straightaway to bust."*



deadly destroyer of stability and of money.

But there are those segments that have softened from the levels of 1955 and are experiencing some contraction, some unemployment, some lower prices, some smaller profits, and even some losses. How far will they go? Is this a short "morning after" a gay 1955, or is it a rolling readjustment, or is the beginning of a recession or something worse? Will the extraordinarily great and rising volume of spending for plant and equipment, for public works and the like, and probably for defense, generate such a torrent of consumer income as to lift all segments of the economy to new and unprecedented heights? Or will the downward forces prevail?

In trying to find answers to these questions we can turn to the money situation. Not that the whole answer lies there—it does not by any means. The political climate at home and the international climate will be powerful influences.

Last fall bankers were talking about tight money, but hardly anybody else was. Today businessmen are talking about it; and so, it seems, is just about everyone else. To read about monetary policy nowadays, you do not have to turn to page 52 of your newspaper. You can often find it on the front page. Notwithstanding the subject's long reputation for intricacy and dryness, it ranks currently in public discussion along with love and crime, war and weddings, foreign aid and agricultural surpluses.

Everyone seems to have views on money and credit and business and their interrelationships. Our politicians, our industrialists, our home builders, our merchants, our automobile dealers, all are issuing statements and propounding views on monetary and fiscal policy.

Our monetary authorities are conscientious men, devoted to public service. In my judgment they perform their difficult task well—unusually well, judged by most other periods of history. Not always right in the light of hindsight, but close to the mark all the way during these last few years. Maybe they know exactly what shot to shoot next and when to shoot it—and maybe they don't. But on the rec-

ord they deserve no scolding from anyone. I sometimes think that some of our observers are undertaking to play the role of the grain of sand that will irritate the oyster to produce the pearl that will be the perfect monetary policy.



the most recent discount rate increase. In fact, at the time I favored a 3 per cent rate rather than a 2 1/4 per cent.

I have no quarrel with the present level of rates. They are, with possible minor exceptions, the lowest in the free world; they are low in historical perspective and are not significantly discouraging loan demand.

Certainly, interest rates are a part of cost and, as some very persuasive commentators point out, could affect prices as do wages and other costs and could correspondingly contribute to inflation—the very thing that dear money is supposed to discourage. Yes, but certainly not present rates. Present rates are very mild medicine. There is a theory that says, "the lower the rate the better"; but that kind of logic could lead to no rate at all, which would mean no savings, no private capital, and no American system as we now know it. There is no danger in present rates.

The difficulty is not in the *cost* of money but in the degree of its *availability*. Money should always be available to worthy borrowers, large and small, at a price. The fear of unavailability is about as bad as the thing itself. It brings on contraction and retrenchment and liquidation, even when there may be no good cause for it. This aspect of money is the more crucial one. Too much money leads to boom and then to bust, too little leads straightforward to bust.

No one can ever know precisely the perfect money position. It is a matter of judgment and "feel"; not a science—more of an art. There is money available for lending today; many loans are being made. But some are being declined, not for lack of creditworthiness or propriety, but because of the tightness of funds. Bankers have funds, of course, but they are under pressure of heavy demand, particularly from those segments of the economy operating at peak levels and from those that are increasing in a major way their investment in plant and equipment. Likewise, the funds of the banker that are invested in securities stand on his books in rather bold red figures. His loan ratio is fairly high, particularly in the money centers, in relation to the past 20 or more years. He is borrowing, at least from time to time, to meet loan demands.

Under pressure of all these constricting influences, the banker performs the best way he knows how his essential job of lending funds to his clients. Like any businessman forced in effect to ration his goods, he serves his best customers first. This means that, in tight money periods, the borrower who is less well established, who has not been able to build up strong banking relationships, inevitably suffers. He suffers even though he may be eminently credit-worthy. He is the one to whom the banker says no—because in such conditions the banker must say no to someone. Other customers who have been only potential borrowers attempt to become actual borrowers just to make certain of having funds which they may possibly need, while still others cutback their expansion plans to make certain of having no possible need for funds. When this starts happening with too many borrowers, then money is getting too close to the non-availability point.

I come, therefore, to the recommendation that restraints on availability should be eased somewhat so that funds will be available, under standards of good and prudent banking, for the credit-worthy forces of production, distribution and consumption. True, some easing factors are already at work or in prospect. The demand for consumer credit has slackened somewhat from the pace of 1955; credit for carrying inventories may be relieved by production cutbacks, as in automobiles, or by wage settlements in steel and other industries where accumulation has been spurred by anxiety over possible production stoppages. But corporate demand for credit for construction and equipment and probably for tax payments will be heavy, and in my judgment the total demand for bank credit will continue to be pressing for some time to come.

While I recommend some easing of restraints on availability, I recommend with equal emphasis no easing of rates. As I have said, rates at anything like current levels are only the mildest sort of restraint, and even at somewhat higher levels would be far from drastic anti-inflation medicine.

These two recommendations—for greater availability and for firm rates—may sound inconsistent, and per-

haps in pure theory they are, but in practical affairs they are not. In theory, supply and demand should determine price or rate of interest for money, but they have not been allowed to do so by the money authorities. Money was made cheap to fight the depression of the early 30s,

exert a continuing restrictive force. The right opportunity for lowering them should not be passed. I realize that such a move must be carefully timed and executed, but the present tight money situation may soon develop into the proper occasion for action along that line.



to finance World War II, and after the war until March 1951 to peg the price of government bonds at par or better. Thus for 20 years we became accustomed to artificially low rates of interest. Now that they are seeking a more normal level, we hear complaints that they are high. Tight shoes pinch harder if you've become used to wearing loose ones.

Artificially depressed interest rates, with which we sought to cure a depression, are ill adapted to the needs of the economy we have today. They discourage savings and stimulate inflation. We should not try to counteract the ill effects of artificially cheap money by making money too scarce. Let the rate respond to demand.

Now, if more money is needed, where is it coming from? The immediate need can be properly met by the Federal Reserve authorities. The discount window should be kept open for all legitimate purposes, the Federal retaining as always its right to deny the privilege to those who its examiners feel are abusing the privilege and engaging in unsound and imprudent banking. The extension of credit to member banks at the discount window can be supplemented by or coordinated with securities operations in the open market as the need arises from week to week or month to month. Finally, member bank reserve requirements can be lowered modestly, thereby returning for use by the banks some of their funds now immobilized in the Federal Reserve—an alternative worthy of consideration. Reserve requirements, particularly in the money levels, are too high. At their present levels they

I do not think the economy is in major difficulty. On the contrary, it has great strength—more strength than weakness. I only offer what I hope would be a cure for some of the divergencies that now exist and appear to be developing. I do so because I think trouble spots should be attended to—early rather than late. Strong spots and weak spots do not often go on very long side by side. Weak spots become stronger or strong spots become weaker. I believe our problems are manageable and that mild medicine, applied during the next few months when our general health may be subject to some further stresses, will keep the economy sound and strong.

Of course, over the long term, the continued healthy growth of our economy must be financed by capital formation, not by inflation or debt nor by inflation of money. Savings should increase, and fair interest rates should encourage this. More borrowers should seek the long market rather than the short market, and more enterprises should turn to equity funds rather than bank financing. A solid and balanced financial foundation must be built if we are to have over the long term the solid and balanced economy that we seek.

We in this country have been engaged for some time in a great test—trying to find out whether we can sustain prosperity without exhausting it, whether we can control it without getting in its way. There have been halts and hesitations, and there will be more of them in the future. But there has also been demonstration of tremendous vitality in our economic institutions. Our physical resources are the envy of the world. Our people are confident, busy, prosperous and, above all, free. With these factors in our favor, we certainly face a future full of opportunities, which shall be realized in exact proportion as we show ourselves worthy of them.

## *President's Page*

### THIS QUESTION OF MORTGAGE BANKERS WRITING INSURANCE

AS I have traveled about the country these past eight months addressing MBA local groups, talking to mortgage men in all areas and studying varying conditions, I have been singularly impressed with the idea that there is so much to be done for the betterment of our industry which—of necessity—largely depends on local initiative. I have, at times, almost come to the conclusion that most of our pressing problems are at the local level, jobs for local groups working locally and tailoring their efforts to the local scene. One outstanding example—and certainly a problem of long standing—is the antiquated foreclosure laws in many states. Here the national Association can assist; but, in the final analysis, these outmoded laws must be modernized by the states themselves. It means that the principal stimulus must come from within a state itself. The same is true of other legislation affecting mortgage credit



Lindell Peterson

and real property financing. Here, the need for modernization becomes more acute each day. The national Association is better equipped now to tackle and solve any problem affecting the welfare of the mortgage industry than it has ever been; but, viewed realistically, many of the things that most badly need doing today will have to look to local inspiration and local effort for a large part of the solution.

This implies no lack of recognition at the national level or inclination to shirk any responsibility; it is merely a statement of actual conditions as we all know they exist.

A somewhat parallel problem is this question of mortgage bankers writing insurance. The mortgage industry in some states has been contending with it for some time; and, based upon what we see and hear, it seems to be developing into more of a problem all the time. This is a serious matter for our business. The charges made against mortgage bankers for handling insurance constitutes a completely unjustified attack. But, regardless of the justice, or the lack of it, it is a challenge that

must be met—and can be met. But here again, a big part of the job will have to be done at the local level.

Mortgage bankers are in insurance because it is a perfectly normal, reasonable and economic development that they should be. We are compelled, because of the investors we represent, to supervise every detail of the home buyer's insurance with the utmost care. It is our responsibility and we cannot shirk it. No one else is in a position to do it with the care we give it. We know, from our specialized experience, that over-insurance and under-insurance are both bad; and we have the knowledge and skill to see that neither results. We are in the best position to handle loss adjustments—no one else would have the same interest as the mortgage banker. There is no legitimate reason why a mortgage banker should not handle insurance—and no one has advanced a valid argument as to why he should not.

Insurance developed within our industry because it was logical that it be there and because it was economical and beneficial for the home buyer that it be done that way. Certainly those we serve have reaped the rewards of having their insurance handled by the institutions where their mortgage loan originated. Certainly no one has been harmed. The only dissident element is the agent who believes he sees a lucrative source of business in doing what we do—but he, to state it bluntly, cannot perform exactly the same services we perform, and he will not have exactly the same interest.

So, in those areas where this problem has become as troublesome as it has, keep in mind that a good part of the job of correcting it lies at the local level. The national Association is exerting every effort to assist in the solution, but local effort will, in the end, be the thing that counts most.

A handwritten signature in cursive script, appearing to read "Lindell Peterson".

PRESIDENT

Mortgage Bankers Association of America

# We Need Better Public Relations For Mortgage Bankers

*Here is an important field which the mortgage industry generally has neglected — but our competitors haven't. A good start to correct this condition is underway. What it will embrace is described here*

By BROWN L. WHATLEY

*Chairman, MBA Public Relations Committee*

A GROWING consciousness of the need for an active and aggressive public relations campaign on the part of mortgage bankers—to help them compete with other types of



Brown L. Whatley

MBA: a general program of public relations for use by MBA members in all sections of the United States.

In developing this effort, your MBA Public Relations Committee has endeavored to create a comprehensive program, some of which, if not all, might be expected to appeal to all Association members who originate and service loans.

In Atlanta, at the spring Board of Governors meeting, your Committee agreed upon certain recommendations which, in turn, were made to the Finance Committee, the Executive Committee and the Board of Governors. All of the recommendations were approved by each of the committees to which they were submitted, as well as the Board of Governors.

As recommended and approved, the program embraces every medium and includes a newspaper advertising service, special TV and radio commer-

cials, a unique nationwide "yellow pages" group telephone listing for mortgage bankers, possibly a movie and TV film for the mortgage industry and other items as well.

Currently in preparation is a series of advertising materials of various types, including window and lobby posters, counter posters, direct mail pieces such as pamphlets, blotters, etc. All these will carry appropriate messages on topics of relevance to the industry; the mailing pieces, when imprinted with individual firm names, will serve as excellent public relations devices.

## *A Long Range Program*

These materials will be produced in volume; and when ready, will be offered to MBA members on an economical basis. Your Committee hopes that, as time goes on, the demand for this material will enable us to expand even further this particular phase of the program.

An advertising clip service is another worthwhile phase of this program. It is contemplated that this service, containing reproductions of current advertisements of mortgage houses and lending institutions, will be distributed to all MBA members three or four times yearly. The first such offering is already in your hands. We hope that this service, meant to show various copy themes, approaches, etc., which others use in their newspaper advertising, will tend to make the industry generally more advertising-minded and help to develop a

greater appreciation of the value of sound public relations.

Another feature of the program with which all members are acquainted by now, is the trade mark service plan under which all members of MBA in individual communities will be identified in classified telephone directories over the country under the official MBA seal. As explained in the detailed brochure, the plan consists of a one-column-inch trade mark insertion under the classification of "Mortgages—Real Estate" in your local "yellow page" directory. This insertion will be followed by a list of authorized members located in your community.

It is an arrangement which has proved highly profitable and beneficial to other industries and there seems no reason why it will not be equally so in our field. Not only should it prove a most beneficial project in the field of general public relations, but it should serve also as a source of tangible advertising results.

Also underway is a promotion aimed at securing possible sponsorship by MBA, on a coast to coast network, of the NBC-TV feature "American Forum of the Air." This program would be subscribed for locally by local groups where and if—and when—such groups desire to subscribe and to share the cost of the local telecast. Any one city may subscribe and sponsor the telecast where it is locally available whether or not groups in any other city subscribe.

The Public Relations Committee

selected the "American Forum of the Air" for several reasons. We felt that it had great appeal to key people—*influential citizens*, particularly in an election year. We felt, too, the program would develop considerably more interest for TV viewers between now and the general election this fall. The program was available at a lower cost than most any other live TV network program, and our members could join in cooperatively financing the program in each community at a very low cost to each individual firm. It is a dignified program and in keeping with the character of the mortgage banker and the mortgage banking industry of America.

#### **TV Spots Are Planned**

Undoubtedly, many of our members have local programs employing serial films of various types, and many also use TV-spot announcements. For these advertisers, we are trying to develop some professionally prepared film and recorded commercials which may be supplemented by local slides and vocal announcements. We are also trying to develop some TV spot announcements for local use by our members which will enable them to better utilize TV time than they are now able to do with local talent in the smaller cities.

The philosophy behind all of this advertising, admittedly, must be very general. It is institutional in nature and must be supplemented by local specific merchandising and advertising.

Also being planned is a color and sound moving picture and television film which will dramatize the role of mortgage bankers in our economy and which will be made available for local group audience showings and telecasts.

Numerous different film presentations and approaches have been reviewed and a number of different producers of such films have been contacted. The production facilities of these producers have been thoroughly reviewed. It is expected that a definite producer will be selected, after which a writer will begin drafting a script for the proposed movie. Final decision on whether we will proceed with the production of the movie will be deferred until we can determine whether a fitting script can

be produced, and the extent to which our members will support the production of such a film.

To aid in the promotion of this program and the proper channeling of information and materials, the Association has enlisted the support of some 100 of its members to act as local representatives of the Public Relations Committee. From time to time, as the various phases are made available for presentation to the membership as a whole, samples and descriptive materials are distributed to the local representatives who, in turn, further their promotion within their respective localities. In short, these local representatives serve as the liaison between our Committee and the general MBA membership.

#### **We Have Lagged**

We hope our principals, the lenders, the life insurance companies and savings banks, will appreciate any cooperative effort we as mortgage bankers undertake, to acquaint the American people with the role that these institutions play in the economic development of the nation through mortgage financing. Unless we do something along this line, our principals in time may well begin to wonder why we do not. If we expect to continue as the vehicle through which these great thrift institutions invest their funds in local communities, then we must recognize our responsibility to them from a local, as well as a national, public relations standpoint.

Certainly our program is not designed to replace any specific "business getting" advertising now being done by our MBA members. On the other hand, we are trying to place in the hands of our MBA members who want to do a good advertising job, some material which they may use effectively and which will tend to supplement and assist their regular advertising program.

For the sake of the industry, as well as the individual firm, mortgage bankers should keep their name before the public. In recent years, there has been a tendency for them to take a secondary position and to permit the home builder to front for them by making the contacts with the public. Too often we see the mortgage banker with his important service to

the home owner, remaining in the background. In many cases today, he is hardly known in the picture by the home owner unless trouble or delinquency develops. This is not good for the future of his business, nor for the industry as a whole.

The MBA Public Relations program is a long term program, not one to meet unusual conditions of *good* or *bad* mortgage markets. In embarking upon it, MBA is simply trying to do for its members what many other progressive trade associations are doing along the very same lines. And, in so doing, we hope to develop a greater appreciation—on the part of the mortgage banker—of the need for him to keep his name and activities in the public eye and in the public mind, so that he may more effectively compete with other types of mortgage lending institutions in his community. Simultaneously, we hope to develop a greater consciousness on the part of the general public as to the functions of the mortgage banker and the services he offers his community.

#### **Our Competitors Are Active**

Many among us have felt for years that mortgage bankers, generally, but for certain notable exceptions, are not sufficiently advertising minded. We hope this program will encourage them to do more advertising and thereby develop better public relations for the industry in general. The competitive position of the mortgage banker today is not helped by the "we don't need it" attitude which some mortgage bankers have adapted towards advertising and public relations. Their competitors (other types of lenders) are doing a much better job in this connection.

It is time that mortgage bankers recognize this fact. MBA's current program, even though still in its embryonic stage, can be far reaching in its beneficial effects for individual mortgage bankers, for local groups, and for the industry as a whole.

It is an effort we have long needed.

So, while the program is in the development stage, your Committee welcomes and solicits suggestions from members generally. Let us hear how it impresses you and give us the benefit of your experience in any of the fields our program will touch.



← Winners of first Scholarship Awards are congratulated by Carton S. Stallard, chairman of the group's Scholarship Trust Fund. Stallard is shaking hands with Philip R. Phillips, Bloomfield, of Rutgers University. Behind Phillips is Henry De Vos, Clifton, of Upsala College. Others watching (left to right) are Samuel Farb, of N. J. MBA's Educational Foundation; Dean Harold S. Carlson of Upsala, and Dean George R. Esterly of Rutgers.

## New Jersey MBA Awards Scholarships

A long-term program to create future leaders and executives in the mortgage banking field has been launched by the New Jersey MBA. The program will gain impetus from a series of scholarships, the first of which has already been awarded.

Emphasizing the drive to broaden the educational activities of mortgage banking institutions, Carton S. Stallard, executive vice-president of the Jersey Mortgage Co. in Elizabeth, and chairman of the Association's New Jersey Scholarship Trust Fund, declared:

"Mortgage banking is playing an increasingly important role in our expanding economy. Its contribution to the constantly rising standard of living of the people of our country has been enormous. It is to the interest of both those presently working in this field and to the nation as a whole to attract promising young people to the great possibilities of mortgage banking as a career. At the present time, it is our objective to widen the flow of information about the sound basic principles which provide the foundation of modern mortgage banking procedures."

First step in the educational program was the award of \$500 scholarships to two New Jersey students. The awards were made at the annual golf dinner of the New Jersey MBA attended by almost 200 members—the largest turnout recorded for this yearly affair.

Scholarship winners were Philip R. Phillips of Bloomfield, a finance major in Rutgers University's School of Business Administration in Newark, and Henry De Vos of Clifton, a student at Upsala College in East Orange. Stallard presented the awards to Dean George R. Esterly of Rutgers, and Dean Harold S. Carlson of Upsala, who accepted them on behalf of the students. Both students were present. In accepting the award for Phillips, Dean Esterly made the first official use of his institution's new name: "Rutgers, the State University."

Courses to be taken under the scholarship by the winners will accent various phases of mortgage banking.

**>> ABOUT PEOPLE:** Reuben A. Scott, manager of the Mortgage Loan Department of Northwestern Na-

tional Life Insurance Co., retired July 1 after nearly 24 years of service with the firm. Mr. Scott joined Northwestern National in 1932 as a field representative for the company's Mortgage Loan Department and in 1934 was brought into its home office in Minneapolis. In 1950 he became Manager, Mortgage Loans. In the past six years mortgage loans held by the Company have increased from \$43 million to nearly \$126 million.

A native of Cuba, Illinois, and a graduate of Benton College of Law, he is a member of the Missouri Bar. Previous to becoming associated with Northwestern National, he was engaged in commercial banking in Nebraska.

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# Florida Convention

Florida joined Texas and California this year in making the annual Convention of the Florida MBA considerably more than just a state-wide meeting by attracting attendance from areas far beyond its borders. It was only the second annual get-together for this group but about 300 from 11 states and the District of Columbia were on hand for the two-day Convention in Ponte Vedra.

Frank W. Reed, of the First National Bank of Orlando, was elected president to succeed Lon Worth Crow, Jr., Lon Worth Crow Company, Miami.

Reed also was presented with the Brown Whatley Distinguished Service Award.

Delegates chose the Golden Gate Hotel in Miami Beach as the site of the next convention, scheduled for May 16-18, 1957.

In his address to the group, President Lindell Peterson deplored current congressional efforts to make FNMA a source of easier home loan credit. This federal unit ought to be maintained "strictly as an instrumentality of last resort to be available to mitigate hardship resulting from changed money conditions and to cushion the effects of indiscretion by supplying a final measure of liquidity in the private market," he said. "But we firmly

oppose any move which, by making FNMA easier or cheaper to deal with, would create a supplementary source of money at all times or make it possible to finance special-purpose programs at submarket interest rates."

He warmly supported the VHMCP and asked for a return to the original concept of FHA.

"MBA strongly supports the Voluntary Home Mortgage Credit Program, which, two years ago, it helped its friends in the insurance industry to establish, and which has shown itself increasingly to be a useful and successful means for the channeling of funds into remote areas and for the benefit of members of minority groups. It is a sad commentary—and indicative of the kind of threat we face today—that the very success of this program in reducing the excuse for direct lending has been the cause of the present attacks upon it, and of the threat to its existence that, happily has now been overcome.

"MBA's recent policy statement renews and upholds MBA's long-established purpose to strengthen FHA as an independent, flexible, and self-supporting adjunct of the private home mortgage credit structures. It would accomplish this by reconstituting FHA as a corporation responsible directly to the President and Congress, by giving it greater flexibility in the

1. At the Florida MBA Convention the time to celebrate was at the Shipwreck Party, and they all did. Here are some of the shipwrecked, Mr. and Mrs. Charles V. Denning, New York Life, and Mr. and Mrs. Bryant B. Skinner, Stockton, Whatley, Davin & Company.

2. Florida's new president, Frank W. Reed receives the Brown L. Whatley Distinguished Service Award.

3. They were there: Raymond K. Mason, W. M. Mason & Company, Jacksonville, and Russell G. Smith, The Manhattan Savings Bank, New York.

4. Conventioneers at the buffet.

5. Distaff side of the Convention.

6. Conventioneers giving attentive ear to the pronouncements from the rostrum.

7. President Frank W. Reed being congratulated by retiring president, Lon Worth Crow, Jr. Back row, left to right: New officers, Howard J. Murphy, W. G. Mathes, Inc., member, board of Governors; R. B. Roberts, III, The Keyes Company, vice president; J. Walter Tucker, Jr., Tucker & Brantham, Inc., secretary-treasurer; W. Herbert Speir, Commander Corporation, vice president; George W. Lubke, Jr., George W. Lubke, Inc., Daytona Beach; and

Charles Contopoulos, Federal Title & Insurance Corp., members, board of governors.

Officers not shown are Edward A. Judge, St. Petersburg; Robert Brinkley, Tallahassee; Brown L. Whatley, Jacksonville; A. H. Grant, Dunedin, and Raymond K. Mason, Jr., Jacksonville.

8. They too were there: R. T. Tucker, Charles V. Denning and Andy Sarras.

9. On the rostrum: William F. Keesler, The First National Bank of Boston; Brown L. Whatley, Stockton, Whatley, Davin & Company; MBA President Lindell Peterson; Lon Worth Crow, Jr. and Dr. James J. O'Leary, Life Insurance Association of America.

10. Some more of the shipwrecked, Mr. and Mrs. Frank W. Reed and A. R. Shepard and Mr. and Mrs. Alan B. Ives, Lon Worth Crow Company.

11. Among the rescued: Mrs. Marge Hagen, Insurance Company of the South; Howard J. Murphy; Walter Russell and Josiah P. Huntoon, Huntoon, Paige & Co., and William F. Keesler.

12. Man with a message. The man is W. Herbert Speir. The message is being withheld.

allocation of its premium income, by permitting it to vary insurance premiums in accordance with its judgment of risk, hence giving it freedom to engage in a wide range of activity."

Russell G. Smith, vice president, Manhattan Savings Bank, spoke on, "A Mutual Savings Banker Looks at Florida."

He said investors have confidence in the state and its development. Unlike the boom of the 1920's, which was a land boom, the current growth is stable because people are building and investing their money in Florida.

Florida's climate and abundant fresh water supply are two of its greatest assets, Smith said. They make it an ideal place to live and work and for new industries to establish plants.

Smith pointed out some of the state's other assets—13 deep water ports, a good system of mass transportation, rich deposits of phosphate and other minerals, homestead exemption for home owners and favorable tax and mortgage laws.

Florida's rapid growth is solid; it's sound and attractive, he declared. Mortgage men here can proudly present their loans to anyone, because the state is second to none in the mortgage market, Smith said.

A similar picture of greatness for Florida was presented by R. B. Roberts, Jr., Miami, vice president and director of economic research for Florida Power and Light Co.

Roberts said the investment climate in the state is as good as its natural climate. The state's economic stability is better than the nation as a whole, he said.

Floridians should not be ashamed to say they live in a tourist town, Roberts emphasized. Florida's billion dollar a year tourist business will always be an important part of the state's economy, regardless of its industrial growth, he said.

"Speed without stability leads to boom and bust," he said, "but the speed of Florida's growth is based on sound economic planning."

Roberts predicted the state's population will exceed eight million by 1965.

## Roy P. Flesh Arizona MBA President



Roy P. Flesh, executive vice president, Western Mortgages, Inc., Phoenix, was elected president of the Arizona MBA for the 1956-57 term at the Association's meeting in Tucson. He succeeds Carroll J. Pierce, vice president, Standard Mortgage Company, Phoenix.

Above, seated left to right, Paul Greer, Greer Mortgage Company, Tucson, vice president; Mr. Flesh; and John Blundell, Western American Mortgage Company, Phoenix, secretary-treasurer. Directors, standing left to right, Robert Meeker, A. B. Robbs Company, Phoenix; Robert Amrine, First Federal Savings and Loan Association, Phoenix; Mr. Pierce; Kenneth Brown, First National Bank of Arizona, Phoenix; George Brandt, Southern Arizona Bank and Trust, Tucson. John Rhuart, Valley National Bank, Phoenix,

was absent.

Below, retiring President Pierce presents to President Flesh the file showing work already done looking to MBA's own Clinic in Phoenix next April.



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A substantial, existing mortgage loan operation desires to purchase a mortgage loan company in Texas or Florida. All replies will be held strictly confidential. In answering, please give complete details of your present operations and ownership. Write Box 390.

## New Members in MBA

CALIFORNIA, Los Angeles: The Lomas & Nettleton Company, A. Eugene Rodenberger; San Bernardino: Palomar Mortgage Company, E. V. Edens.

CANADA, Waterloo, Ontario: The Dominion Life Assurance Company, K. S. Rabb, assistant treasurer.

MARYLAND, Baltimore: Maryland Life Insurance Company, Paul P. Swett, Jr. MASSACHUSETTS, Boston: Second Bank-State Street Trust Company, N. Preston Breed, vice president.

NEW YORK, New York: Inter-County Title Guaranty and Mortgage Company, Thomas H. Quinn, president.

NORTH CAROLINA, Greensboro: Guilford Mortgage Co., Sidney B. Allen, pres.

OHIO, Canton: The Leonard Agency Company, S. S. Shafer, executive vice president.

PENNSYLVANIA, Willow Grove: Bank of Old York Road, Perch P. Hankin.

TENNESSEE, Memphis: National Bank of Commerce in Memphis, H. L. Moore, vice president.

TEXAS, Dallas: Mortgage and Trust, Inc., W. J. Martin; Fort Worth: Bank of Commerce, Willard L. Lowry, Mortgage Loan Department; Mortgage and Trust, Inc., B. B. Williams; Houston: Union Mortgage and Investment Co., Inc., C. T. Traylor, Jr., secretary-treasurer; Lubbock: Mortgage and Trust, Inc., Richardson Therrien; Waxahachie: Rutherford Mortgage Company, J. Scott Rutherford, executive vice president.

WISCONSIN, Racine: Amortized Mortgages, Inc., Gilbert W. Becker.

## PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

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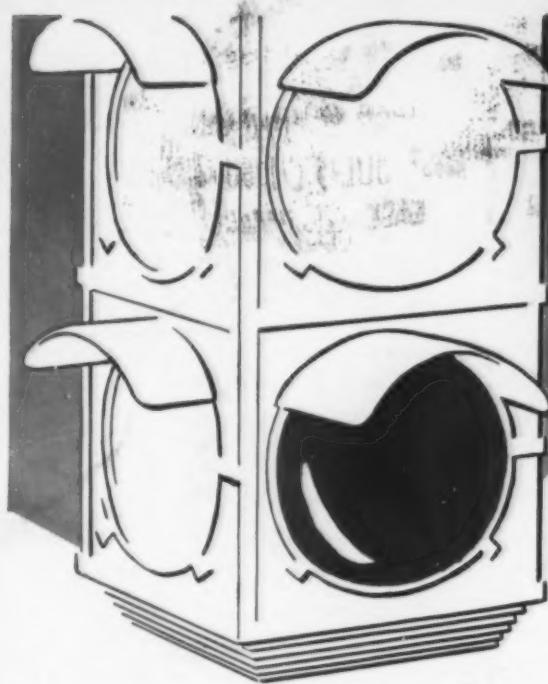


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